

17 AN AMENDMENT IN THE NATURE OF A  
SUBSTITUTE TO BE OFFERED BY

REPRESENTATIVE KIRK OF  
ILLINOIS, OR HIS DESIGNEE,

DEBATABLE FOR 30 MINUTES.

**AMENDMENT TO H.R. 3973, AS REPORTED**  
**OFFERED BY MR. KIRK OF ILLINOIS**

18  
revised

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

(a) **SHORT TITLE.**—This Act may be cited as the “Deficit Control Act of 2004”.

(b) **TABLE OF CONTENTS.**—

- Sec. 1. Short title; table of contents.
- Sec. 2. Effective date.
- Sec. 3. Protection of social security and medicare benefits.

**TITLE I—A SIMPLIFIED BUDGET**

**Subtitle A—Rainy Day Fund for Emergencies**

- Sec. 101. Purpose.
- Sec. 102. Repeal of adjustments for emergencies.
- Sec. 103. OMB emergency criteria.
- Sec. 104. Development of guidelines for application of emergency definition.
- Sec. 105. Reserve fund for emergencies in President's budget.
- Sec. 106. Adjustments and reserve fund for emergencies in concurrent budget resolutions.
- Sec. 107. Up-to-date tabulations.
- Sec. 108. Prohibition on amendments to emergency reserve fund.
- Sec. 109. Content of budget resolutions.

**Subtitle B—The Baseline**

- Sec. 111. Elimination of inflation adjustment.
- Sec. 112. The President's budget.
- Sec. 113. The congressional budget.
- Sec. 114. Congressional budget office reports to committees.
- Sec. 115. Treatment of emergencies.

**TITLE II—IMPLEMENTING FEDERAL SPENDING DISCIPLINE**

**Subtitle A—Spending Safeguards on the Growth of Entitlements and Mandatories**

- Sec. 201. Spending caps on growth of entitlements and mandatories.
- Sec. 202. Exempt programs and activities.
- Sec. 203. Exceptions, limitations, and special rules.
- Sec. 204. Point of order.
- Sec. 205. Technical and conforming amendments.

## 2

## Subtitle B—Discretionary Spending Limits

- Sec. 211. Enforcing discretionary spending limits.  
 Sec. 212. Annual joint resolution establishing discretionary spending limits.

## TITLE III—COMBATING WASTE, FRAUD, AND ABUSE.

Subtitle A—Enhanced Rescissions of Budget Authority Identified by the  
 President as Wasteful Spending

- Sec. 301. Enhanced consideration of certain proposed rescissions.

Subtitle B—Commission to Eliminate Waste, Fraud, and Abuse

- Sec. 311. Establishment of Commission.  
 Sec. 312. Duties of the Commission.  
 Sec. 313. Powers of the Commission.  
 Sec. 314. Commission personnel matters.  
 Sec. 315. Termination of the Commission.  
 Sec. 316. Authorization of appropriations.

## TITLE IV—TRUTH IN ACCOUNTING

Subtitle A—Accrual Funding of Pensions and Retirement Pay for Federal  
 Employees and Uniformed Services Personnel

- Sec. 401. Civil Service Retirement System.  
 Sec. 402. Central Intelligence Agency Retirement and Disability System.  
 Sec. 403. Foreign Service Retirement and Disability System.  
 Sec. 404. Public Health Service Commissioned Corps Retirement System.  
 Sec. 405. National Oceanic and Atmospheric Administration Commissioned Officer Corps Retirement System.  
 Sec. 406. Coast Guard Military Retirement System.

Subtitle B—Accrual Funding of Post-Retirement Health Benefits Costs for  
 Federal Employees

- Sec. 411. Federal employees health benefits fund.  
 Sec. 412. Funding uniformed services health benefits for all retirees.  
 Sec. 413. Effective date.

Subtitle C—Limit on the Public Debt

- Sec. 421. Limit on public debt.

## TITLE V—PAYGO EXTENSION

- Sec. 501. PAYGO extension.

1 **SEC. 2. EFFECTIVE DATE.**

- 2       Except as otherwise specifically provided, this Act  
 3       and the amendments made by this Act shall become effec-  
 4       tive on the date of enactment of this Act and shall apply

1 with respect to fiscal years beginning after September 30,  
2 2005.

3 **SEC. 3. PROTECTION OF SOCIAL SECURITY AND MEDICARE**  
4 **BENEFITS.**

5 Notwithstanding any other provision in law, nothing  
6 in titles I through V shall be construed to reduce benefits  
7 entitled to Americans through social security and medi-  
8 care.

9 **TITLE I—A SIMPLIFIED BUDGET**  
10 **Subtitle A—Rainy Day Fund for**  
11 **Emergencies**

12 **SEC. 101. PURPOSE.**

13 The purposes of this subtitle are to—

14 (1) develop budgetary and fiscal procedures for  
15 emergencies;

16 (2) subject spending for emergencies to budg-  
17 etary procedures and controls; and

18 (3) establish criteria for determining compliance  
19 with emergency requirements.

20 **SEC. 102. REPEAL OF ADJUSTMENTS FOR EMERGENCIES.**

21 (a) **ELIMINATION OF EMERGENCY DESIGNATION.**—  
22 Sections 252(e) and 252(d)(4)(B) of the Balanced Budget  
23 and Emergency Deficit Control Act of 1985 are repealed.

24 (b) **ELIMINATION OF ADJUSTMENTS.**—Section 314 of  
25 the Congressional Budget Act of 1974 is repealed.



1       (c) CONFORMING AMENDMENT.—Clause 2 of rule  
2 XXI of the Rules of the House of Representatives is  
3 amended by repealing paragraph (e) and by redesignating  
4 paragraph (f) as paragraph (e).

5 **SEC. 103. OMB EMERGENCY CRITERIA.**

6       (a) DEFINITION OF EMERGENCY.—Section 3 of the  
7 Congressional Budget and Impoundment Control Act of  
8 1974 is amended by adding at the end the following new  
9 paragraph:

10           “(11)(A) The term ‘emergency’ means a situa-  
11       tion that—

12                   “(i) requires new budget authority and  
13       outlays (or new budget authority and the out-  
14       lays flowing therefrom) for the prevention or  
15       mitigation of, or response to, loss of life or  
16       property, or a threat to national security; and

17                   “(ii) is unanticipated.

18           “(B) As used in subparagraph (A), the term  
19       ‘unanticipated’ means that the situation is—

20                   “(i) sudden, which means quickly coming  
21       into being or not building up over time;

22                   “(ii) urgent, which means a pressing and  
23       compelling need requiring immediate action;

24                   “(iii) unforeseen, which means not pre-  
25       dicted or anticipated as an emerging need; and

1                   “(iv) temporary, which means not of a per-  
2                   manent duration.”.

3           (b) CONFORMING AMENDMENT.—Section 250(c) of  
4 the Balanced Budget and Emergency Deficit Control Act  
5 of 1985 is amended by adding at the end the following  
6 new paragraph:

7                   “(20) The term ‘emergency’ has the meaning  
8                   given to such term in section 3 of the Congressional  
9                   Budget and Impoundment Control Act of 1974.”.

10 **SEC. 104. DEVELOPMENT OF GUIDELINES FOR APPLICA-**  
11 **TION OF EMERGENCY DEFINITION.**

12           Not later than 5 months after the date of enactment  
13 of this Act, the chairmen of the Committees on the Budget  
14 (in consultation with the President) shall, after consulting  
15 with the chairmen of the Committees on Appropriations  
16 and applicable authorizing committees of their respective  
17 Houses and the Directors of the Congressional Budget Of-  
18 fice and the Office of Management and Budget, jointly  
19 publish in the Congressional Record guidelines for applica-  
20 tion of the definition of emergency set forth in section  
21 3(11) of the Congressional Budget and Impoundment  
22 Control Act of 1974.

1   **SEC. 105. RESERVE FUND FOR EMERGENCIES IN PRESI-**  
2                   **DENT'S BUDGET.**

3       Section 1105(f) of title 31, United States Code is  
4 amended by adding at the end the following new sen-  
5 tences: "Such budget submission shall also comply with  
6 the requirements of section 316(b) of the Congressional  
7 Budget Act of 1974 and, in the case of any budget author-  
8 ity requested for an emergency, such submission shall in-  
9 clude a detailed justification of why such emergency is an  
10 emergency within the meaning of section 3(11) of the Con-  
11 gressional Budget Act of 1974."

12   **SEC. 106. ADJUSTMENTS AND RESERVE FUND FOR EMER-**  
13                   **GENCIES IN CONCURRENT BUDGET RESOLU-**  
14                   **TIONS.**

15       (a) EMERGENCIES.—Title III of the Congressional  
16 Budget Act of 1974 is amended by adding at the end the  
17 following new section:

18                   "EMERGENCIES

19       "SEC. 316. (a) ADJUSTMENTS—

20               "(1) IN GENERAL.—After the reporting of a bill  
21 or joint resolution or the submission of a conference  
22 report thereon that provides budget authority for  
23 any emergency as identified pursuant to subsection  
24 (d) that is not covered by subsection (c)—

25               "(A) the chairman of the Committee on  
26 the Budget of the House of Representatives or

1 the Senate shall determine and certify, pursu-  
2 ant to the guidelines referred to in section 104  
3 of the Deficit Control Act of 2004, the portion  
4 (if any) of the amount so specified that is for  
5 an emergency within the meaning of section  
6 3(11); and

7 “(B) such chairman shall make the adjust-  
8 ment set forth in paragraph (2) for the amount  
9 of new budget authority (or outlays) in that  
10 measure and the outlays flowing from that  
11 budget authority.

12 “(2) MATTERS TO BE ADJUSTED.—The adjust-  
13 ments referred to in paragraph (1) are to be made  
14 to the allocations made pursuant to the appropriate  
15 concurrent resolution on the budget pursuant to sec-  
16 tion 302(a) and shall be in an amount not to exceed  
17 the amount reserved for emergencies pursuant to the  
18 requirements of subsection (b).

19 “(b) RESERVE FUND FOR EMERGENCIES.—

20 “(1) AMOUNTS.—The amount set forth in the  
21 reserve fund for emergencies (other than those cov-  
22 ered by subsection (c)) for budget authority and out-  
23 lays for a fiscal year pursuant to section 301(a)(4)  
24 shall equal—

1           “(A) the average of the enacted levels of  
2           budget authority for emergencies (other than  
3           those covered by subsection (c)) in the 5 fiscal  
4           years preceding the current year; and

5           “(B) the average of the levels of outlays  
6           for emergencies in the 5 fiscal years preceding  
7           the current year flowing from the budget au-  
8           thority referred to in subparagraph (A), but  
9           only in the fiscal year for which such budget  
10          authority first becomes available for obligation.

11          “(2) AVERAGE LEVELS.—For purposes of para-  
12          graph (1), the amount used for a fiscal year to cal-  
13          culate the average of the enacted levels when one or  
14          more of such 5 preceding fiscal years is any of fiscal  
15          years 2000 through 2004 is as follows: the amount  
16          of enacted levels of budget authority and the amount  
17          of new outlays flowing therefrom for emergencies,  
18          but only in the fiscal year for which such budget au-  
19          thority first becomes available for obligation for each  
20          of such 5 fiscal years, which shall be determined by  
21          the Committees on the Budget of the House of Rep-  
22          resentatives and the Senate after receipt of a report  
23          on such matter transmitted to such committees by  
24          the Director of the Congressional Budget Office 6

1 months after the date of enactment of this section  
2 and thereafter in February of each calendar year.

3 “(c) TREATMENT OF EMERGENCIES TO FUND CER-  
4 TAIN MILITARY OPERATIONS AND OTHER EXTRAOR-  
5 DINARY AND CRITICAL NEEDS.—Whenever the Com-  
6 mittee on Appropriations reports any bill or joint resolu-  
7 tion that provides budget authority for any emergency  
8 that is a threat to national security and the funding of  
9 which carries out a military operation authorized by a dec-  
10 laration of war or a joint resolution authorizing the use  
11 of military force, or for any other emergency designated  
12 by the President and the Congress as relating to extraor-  
13 dinary and critical needs, and the report accompanying  
14 that bill or joint resolution, pursuant to subsection (d),  
15 identifies any provision that increases outlays or provides  
16 budget authority (and the outlays flowing therefrom) for  
17 such emergency, the enactment of which would cause the  
18 total amount of budget authority or outlays provided for  
19 emergencies for the budget year in the concurrent resolu-  
20 tion on the budget (pursuant to section 301(a)(4)) to be  
21 exceeded, such bill or joint resolution may be considered  
22 in the House or the Senate, as the case may be.

23 “(d) COMMITTEE NOTIFICATION OF EMERGENCY  
24 LEGISLATION.—Whenever the Committee on Appropria-  
25 tions or any other committee of either House (including

1 a committee of conference) reports any bill or joint resolu-  
2 tion that provides budget authority for any emergency, the  
3 report accompanying that bill or joint resolution (or the  
4 joint explanatory statement of managers in the case of a  
5 conference report on any such bill or joint resolution) shall  
6 identify all provisions that provide budget authority and  
7 the outlays flowing therefrom for such emergency and in-  
8 clude a statement of the reasons why such budget author-  
9 ity meets the definition of an emergency pursuant to the  
10 guidelines referred to in section 104 of the Deficit Control  
11 Act of 2004.”.

12 (b) CONFORMING AMENDMENT.—The table of con-  
13 tents set forth in section 1(b) of the Congressional Budget  
14 and Impoundment Control Act of 1974 is amended by in-  
15 serting after the item relating to section 315 the following  
16 new item:

“Sec. 316. Emergencies.”.

17 **SEC. 107. UP-TO-DATE TABULATIONS.**

18 Section 308(b)(2) of the Congressional Budget Act  
19 of 1974 is amended by striking “and” at the end of sub-  
20 paragraph (B), by striking the period at the end of sub-  
21 paragraph (C) and inserting “; and”, and by adding at  
22 the end the following new subparagraph:

23 “(D) shall include an up-to-date tabulation  
24 of amounts remaining in the reserve fund for  
25 emergencies.”.

1 **SEC. 108. PROHIBITION ON AMENDMENTS TO EMERGENCY**

2 **RESERVE FUND.**

3 (a) POINT OF ORDER.—Section 305 of the Congres-  
4 sional Budget Act of 1974 is amended by adding at the  
5 end the following new subsection:

6 “(e) POINT OF ORDER REGARDING EMERGENCY RE-  
7 SERVE FUND.—It shall not be in order in the House of  
8 Representatives or in the Senate to consider an amend-  
9 ment to a concurrent resolution on the budget which  
10 changes the amount of budget authority and outlays set  
11 forth in section 301(a)(4) for emergency reserve fund.”.

12 (b) TECHNICAL AMENDMENT.—(1) Section 904(c)(1)  
13 of the Congressional Budget Act of 1974 is amended by  
14 inserting “305(e),” after “305(c)(4),”.

15 (2) Section 904(d)(2) of the Congressional Budget  
16 Act of 1974 is amended by inserting “305(e),” after  
17 “305(c)(4),”.

18 **SEC. 109. CONTENT OF BUDGET RESOLUTIONS.**

19 Section 301(a)(4) of the Congressional Budget Act  
20 of 1974 is amended by inserting before the semicolon at  
21 the end the following: “, and for emergencies (for the re-  
22 serve fund in section 316(b) and for military operations  
23 in section 316(c))”.



1                   **Subtitle B—The Baseline**

2   **SEC. 111. ELIMINATION OF INFLATION ADJUSTMENT.**

3           Section 257(c) of the Balanced Budget and Emer-  
4   gency Deficit Control Act of 1985 is amended—

5                   (1) in paragraph (1) by striking “for inflation  
6           as specified in paragraph (5),”; and

7                   (2) by striking paragraph (5) and redesignating  
8           paragraph (6) as paragraph (5).

9   **SEC. 112. THE PRESIDENT’S BUDGET.**

10           (a) Paragraph (5) of section 1105(a) of title 31,  
11   United States Code, is amended to read as follows:

12                   “(5) except as provided in subsection (b) of this  
13           section, estimated expenditures and appropriations  
14           for the current year and estimated expenditures and  
15           proposed appropriations the President decides are  
16           necessary to support the Government in the fiscal  
17           year for which the budget is submitted and the 4 fis-  
18           cal years following that year, and, except for detailed  
19           budget estimates, the percentage change from the  
20           current year to the fiscal year for which the budget  
21           is submitted for estimated expenditures and for ap-  
22           propriations.”.

23           (b) Section 1105(a)(6) of title 31, United States  
24   Code, is amended to read as follows:

1           “(6) estimated receipts of the Government in  
2           the current year and the fiscal year for which the  
3           budget is submitted and the 4 fiscal years after that  
4           year under—

5                   “(A) laws in effect when the budget is sub-  
6                   mitted; and

7                   “(B) proposals in the budget to increase  
8                   revenues,

9           and the percentage change (in the case of each cat-  
10          egory referred to in subparagraphs (A) and (B)) be-  
11          tween the current year and the fiscal year for which  
12          the budget is submitted and between the current  
13          year and each of the 9 fiscal years after the fiscal  
14          year for which the budget is submitted.”.

15          (c) Section 1105(a)(12) of title 31, United States  
16          Code, is amended to read as follows:

17                   “(12) for each proposal in the budget for legis-  
18                   lation that would establish or expand a Government  
19                   activity or function, a table showing—

20                           “(A) the amount proposed in the budget  
21                           for appropriation and for expenditure because  
22                           of the proposal in the fiscal year for which the  
23                           budget is submitted;

24                           “(B) the estimated appropriation required  
25                           because of the proposal for each of the 4 fiscal

1           years after that year that the proposal will be  
2           in effect; and

3                   “(C) the estimated amount for the same  
4           activity or function, if any, in the current fiscal  
5           year,

6           and, except for detailed budget estimates, the per-  
7           centage change (in the case of each category re-  
8           ferred to in subparagraphs (A), (B), and (C)) be-  
9           tween the current year and the fiscal year for which  
10          the budget is submitted.”.

11          (d) Section 1105(a)(18) of title 31, United States  
12          Code, is amended by inserting “new budget authority  
13          and” before “budget outlays”.

14          (e) Section 1105(a) of title 31, United States Code,  
15          is amended by adding at the end the following new para-  
16          graphs:

17                   “(35) a comparison of levels of estimated ex-  
18          penditures and proposed appropriations for each  
19          function and subfunction in the current fiscal year  
20          and the fiscal year for which the budget is sub-  
21          mitted, along with the proposed increase or decrease  
22          of spending in percentage terms for each function  
23          and subfunction.

24                   “(36) a table on sources of growth in total di-  
25          rect spending under current law and as proposed in

1       this budget submission for the budget year and the  
2       ensuing 9 fiscal years, which shall include changes  
3       in outlays attributable to the following: cost-of-living  
4       adjustments; changes in the number of program re-  
5       cipients; increases in medical care prices, utilization  
6       and intensity of medical care; and residual factors.”.

7       (f) Section 1109(a) of title 31, United States Code,  
8       is amended by inserting after the first sentence the fol-  
9       lowing new sentence: “For discretionary spending, these  
10       estimates shall assume the levels set forth in the discre-  
11       tionary spending limits under section 251(b) of the Bal-  
12       anced Budget and Emergency Deficit Control Act of 1985,  
13       as adjusted, for the appropriate fiscal years (and if no  
14       such limits are in effect, these estimates shall assume the  
15       adjusted levels for the most recent fiscal year for which  
16       such levels were in effect).”.

17       **SEC. 113. THE CONGRESSIONAL BUDGET.**

18       Section 301(e) of the Congressional Budget Act of  
19       1974 (as amended by section 103) is further amended—

20               (1) in paragraph (1), by inserting at the end  
21       the following: “The basis of deliberations in devel-  
22       oping such concurrent resolution shall be the esti-  
23       mated budgetary levels for the preceding fiscal year.  
24       Any budgetary levels pending before the committee  
25       and the text of the concurrent resolution shall be ac-

1        accompanied by a document comparing such levels or  
2        such text to the estimated levels of the prior fiscal  
3        year. Any amendment offered in the committee that  
4        changes a budgetary level and is based upon a spe-  
5        cific policy assumption for a program, project, or ac-  
6        tivity shall be accompanied by a document indicating  
7        the estimated amount for such program, project, or  
8        activity in the current year.”; and

9            (2) in paragraph (2), by striking “and” at the  
10        end of subparagraph (H) (as redesignated), by strik-  
11        ing the period and inserting “; and” at the end of  
12        subparagraph (I) (as redesignated), and by adding  
13        at the end the following new subparagraph:

14            “(J) a comparison of levels for the current  
15        fiscal year with proposed spending and revenue  
16        levels for the subsequent fiscal years along with  
17        the proposed increase or decrease of spending  
18        in percentage terms for each function.”.

19        **SEC. 114. CONGRESSIONAL BUDGET OFFICE REPORTS TO**  
20            **COMMITTEES.**

21        (a) The first sentence of section 202(e)(1) of the Con-  
22        gressional Budget Act of 1974 is amended by inserting  
23        “compared to comparable levels for the current year” be-  
24        fore the comma at the end of subparagraph (A) and before  
25        the comma at the end of subparagraph (B).

1 (b) Section 202(e)(1) of the Congressional Budget  
2 Act of 1974 is amended by inserting after the first sen-  
3 tence the following new sentence: "Such report shall also  
4 include a table on sources of spending growth in total di-  
5 rect spending for the budget year and the ensuing 4 fiscal  
6 years, which shall include changes in outlays attributable  
7 to the following: cost-of-living adjustments; changes in the  
8 number of program recipients; increases in medical care  
9 prices, utilization and intensity of medical care; and resid-  
10 ual factors."

11 (c) Section 308(a)(1)(B) of the Congressional Budget  
12 Act of 1974 is amended by inserting "and shall include  
13 a comparison of those levels to comparable levels for the  
14 current fiscal year" before "if timely submitted".

15 (d) Section 202(e) of the Congressional Budget Act  
16 of 1974 is amended by adding at the end the following  
17 new paragraph:

18 "(4) On or before February 15 of each year,  
19 the Director shall submit to the Committees on the  
20 Budget of the House of Representatives and the  
21 Senate, a report for the fiscal year ending on Sep-  
22 tember 30 of the preceding year, with respect to en-  
23 titlement spending, including (A) a comparison of  
24 actual spending for entitlements, on an account by  
25 account basis, with projected spending for such enti-

1        tlements assumed in the concurrent resolution of the  
2        budget for that fiscal year and (B) an identification  
3        of those entitlements for which the actual spending  
4        exceeded the projected spending.”.

5        **SEC. 115. TREATMENT OF EMERGENCIES.**

6        Section 257(c) of the Balanced Budget and Emer-  
7        gency Deficit Control Act of 1985 (as amended by section  
8        111) is further amended by adding at the end the fol-  
9        lowing new paragraph:

10        “(6) EMERGENCIES.—Budgetary resources for  
11        emergencies shall be at the level provided in the re-  
12        serve fund for emergencies for that fiscal year pur-  
13        suant to section 301(a)(4) of the Congressional  
14        Budget Act of 1974.”.

15        **TITLE II—IMPLEMENTING FED-**  
16        **ERAL SPENDING DISCIPLINE**

17        **Subtitle A—Spending Safeguards**  
18        **on the Growth of Entitlements**  
19        **and Mandatories**

20        **SEC. 201. SPENDING CAPS ON GROWTH OF ENTITLEMENTS**  
21        **AND MANDATORIES.**

22        (a)        CONTROL        OF        ENTITLEMENTS        AND  
23        MANDATORIES.—The Balanced Budget and Emergency  
24        Deficit Control Act of 1985 is amended by adding after  
25        section 252 the following new section:

1 **"SEC. 252A. ENFORCING CONTROLS ON DIRECT SPENDING.**

2       “(a) CAP ON GROWTH OF ENTITLEMENTS—Effec-  
3 tive for fiscal year 2006 and for each ensuing fiscal year,  
4 the total level of direct spending for all direct spending  
5 programs, projects, and activities (excluding social secu-  
6 rity, medicare, and net interest spending) for any such fis-  
7 cal year shall not exceed the total level of spending for  
8 all such programs, projects, and activities for the previous  
9 fiscal year after the direct spending for each such pro-  
10 gram, project, or activity is increased by—

11               “(1) the higher of the change in the Consumer  
12 Price Index for All Urban Consumers or the inflator  
13 (if any) applicable to that program, project, or activ-  
14 ity; and

15               “(2) the growth in eligible population for such  
16 program, project, or activity.

17       “(b) SEQUESTRATION.—Within 15 days after Con-  
18 gress adjourns to end a session (other than of the second  
19 session of the One Hundred Eighth Congress), and on the  
20 same day as a sequestration (if any) under section 251,  
21 there shall be a sequestration to reduce the amount of di-  
22 rect spending for the fiscal year beginning in the year the  
23 Congress adjourns by any amount necessary to reduce  
24 such spending to the level set forth in subsection (a) un-  
25 less that amount is less than \$250,000,000.



1       “(c) UNIFORM REDUCTIONS; LIMITATIONS.—The  
2 amount required to be sequestered for the fiscal year  
3 under subsection (a) shall be obtained from nonexempt di-  
4 rect spending accounts by actions taken in the following  
5 order:

6           “(1) FIRST.—The reductions in the programs  
7 specified in section 256(a) (National Wool Act and  
8 special milk), section 256(b) (guaranteed student  
9 loans), and section 256(c) (foster care and adoption  
10 assistance) shall be made.

11          “(2) SECOND.—Any additional reductions that  
12 may be required shall be achieved by reducing each  
13 remaining nonexempt direct spending account by the  
14 uniform percentage necessary to achieve those addi-  
15 tional reductions, except that—

16           “(A) the low-income programs specified in  
17 section 256(d) shall not be reduced by more  
18 than 2 percent; and

19           “(B) the retirement and veterans benefits  
20 specified in sections 256(f), (g), and (h) shall  
21 not be reduced by more than 2 percent in the  
22 manner specified in that section.

23       The limitations set forth in subparagraphs (A) and  
24 (B) shall be applied iteratively, and after each  
25 iteration the uniform percentage applicable to all

1 other programs under this paragraph shall be in-  
2 creased (if necessary) to a level sufficient to achieve  
3 the reductions required by this paragraph.”.

4 (b) TABLE OF CONTENTS AMENDMENT.—The table  
5 of contents set forth in 250(a) of the Balanced Budget  
6 and Emergency Deficit Control Act of 1985 is amended  
7 by adding after the item relating to section 252 the fol-  
8 lowing new item:

“Sec. 252A. Enforcing controls on direct spending.”.

9 **SEC. 202. EXEMPT PROGRAMS AND ACTIVITIES.**

10 Section 255 of the Balanced Budget and Emergency  
11 Deficit Control Act of 1985 is amended to read as follows:

12 **“SEC. 255. EXEMPT PROGRAMS AND ACTIVITIES.**

13 **“(a) SOCIAL SECURITY BENEFITS; TIER I RAILROAD**  
14 **RETIREMENT BENEFITS; AND MEDICARE BENEFITS.—**

15 (1) Benefits payable under the old-age, survivors, and dis-  
16 ability insurance program established under title II of the  
17 Social Security Act, and benefits payable under section  
18 3(a), 3(f)(3), 4(a), or 4(f) of the Railroad Retirement Act  
19 of 1974, shall be exempt from reduction under any order  
20 issued under this part.

21 **“(2) Payments made under title XVIII (relating to**  
22 **medicare of the Social Security Act shall be exempt from**  
23 **reduction under any order issued under this part.**

1       “(b) DESCRIPTIONS AND LISTS.—The following  
2 budget accounts or activities shall be exempt from seques-  
3 tration:

4           “(1) net interest;

5           “(2) all payments to trust funds from excise  
6 taxes or other receipts or collections properly cred-  
7 itable to those trust funds;

8           “(3) all payments from one Federal direct  
9 spending budget account to another Federal budget  
10 account; and all intragovernmental funds including  
11 those from which funding is derived primarily from  
12 other Government accounts, except to the extent  
13 that such funds are augmented by direct appropria-  
14 tions for the fiscal year for which the order is in ef-  
15 fect;

16           “(4) activities resulting from private donations,  
17 bequests, or voluntary contributions to the Govern-  
18 ment;

19           “(5) payments from any revolving fund or  
20 trust-revolving fund (or similar activity) that pro-  
21 vides deposit insurance or other Government insur-  
22 ance, Government guarantees, or any other form of  
23 contingent liability, to the extent those payments re-  
24 sult from contractual or other legally binding com-

1       mitments of the Government at the time of any se-  
2       questration;

3               “(6) credit liquidating and financing accounts;

4               “(7) the following accounts, which largely fulfill  
5       requirements of the Constitution or otherwise make  
6       payments to which the Government is committed:

7               “Administration of Territories, Northern  
8       Mariana Islands Covenant grants (14-0412-0-  
9       1-806);

10              “Armed Forces Retirement Home Trust  
11       Fund, payment of claims (84-8930-0-7-705);

12              “Bureau of Indian Affairs, miscellaneous  
13       payments to Indians (14-2303-0-1-452);

14              “Bureau of Indian Affairs, miscellaneous  
15       trust funds, tribal trust funds (14-9973-0-7-  
16       999);

17              “Claims, defense;

18              “Claims, judgments, and relief act (20-  
19       1895-0-1-806);

20              “Compact of Free Association, economic  
21       assistance pursuant to Public Law 99-658 (14-  
22       0415-0-1-806);

23              “Compensation of the President (11-  
24       0001-0-1-802);

1           “Customs Service, miscellaneous perma-  
2           nent appropriations (20-9992-0-2-852);

3           “Eastern Indian land claims settlement  
4           fund (14-2202-0-1-806);

5           “Farm Credit Administration, Limitation  
6           on Administration Expenses (78-4131-0-3-  
7           351);

8           “Farm Credit System Financial Assistance  
9           Corporation, interest payments (20-1850-0-1-  
10          351);

11          “Internal Revenue collections of Puerto  
12          Rico (20-5737-0-2-852);

13          “Panama Canal Commission, operating ex-  
14          penses and capital outlay (95-5190-0-2-403);

15          “Payments of Vietnam and USS Pueblo  
16          prisoner-of-war claims (15-0104-0-1-153);

17          “Payments to copyright owners (03-5175-  
18          0-2-376);

19          “Payments to health care trust funds (75-  
20          0580-0-1-571);

21          “Payments to social security trust funds  
22          (75-0404-0-1-651);

23          “Payments to the United States terri-  
24          tories, fiscal assistance (14-0418-0-1-801);

1           “Payments to widows and heirs of de-  
2           ceased Members of Congress (00-0215-0-1-  
3           801);

4           “Pension Benefit Guaranty Corporation  
5           Fund (16-4204-0-3-601);

6           “Salaries of Article III judges;

7           “Washington Metropolitan Area Transit  
8           Authority, interest payments (46-0300-0-1-  
9           401);

10          “(8) the following noncredit special, revolving,  
11          or trust-revolving funds:

12           “Coinage profit fund (20-5811-0-2-803);

13           “Comptroller of the Currency;

14           “Director of the Office of Thrift Super-  
15           vision;

16           “Exchange Stabilization Fund (20-4444-  
17           0-3-155);

18           “Federal Housing Finance Board;

19           “Foreign Military Sales trust fund (11-  
20           82232-0-7-155);

21           “National Credit Union Administration,  
22           central liquidating facility (25-4470-0-3-373);

23           “National Credit Union Administration,  
24           credit union insurance fund (25-4468-0-3-  
25           373);

1                   “National Credit Union Administration op-  
2                   erating fund (25-4056-0-3-373); and

3                   “Resolution Trust Corporation Revolving  
4                   Fund (22-4055-0-3-373);

5                   “(9) Thrift Savings Fund;

6                   “(10) appropriations for the District of Colum-  
7                   bia to the extent they are appropriations of locally  
8                   raised funds;

9                   “(11)(A) any amount paid as regular unemploy-  
10                  ment compensation by a State from its account in  
11                  the Unemployment Trust Fund (established by sec-  
12                  tion 904(a) of the Social Security Act);

13                  “(B) any advance made to a State from the  
14                  Federal unemployment account (established by sec-  
15                  tion 904(g) of such Act) under title XII of such Act  
16                  and any advance appropriated to the Federal unem-  
17                  ployment account pursuant to section 1203 of such  
18                  Act; and

19                  “(C) any payment made from the Federal Em-  
20                  ployees Compensation Account (as established under  
21                  section 909 of such Act) for the purpose of carrying  
22                  out chapter 85 of title 5, United States Code, and  
23                  funds appropriated or transferred to or otherwise  
24                  deposited in such Account;

1           “(12)(A) FDIC, Bank Insurance Fund (51-  
2   4064-0-3-373);

3           “(B) FDIC, FSLIC Resolution Fund (51-  
4   4065-0-3-373); and

5           “(C) FDIC, Savings Association Insurance  
6   Fund (51-4066-0-3-373); and

7           “(13) Food Stamp Programs (12-3505-0-1-  
8   605).

9           “(c) FEDERAL RETIREMENT AND DISABILITY AC-  
10   COUNTS.—The following Federal retirement and disability  
11   accounts shall be exempt from reduction under any order  
12   issued under this part:

13           “Civil service retirement and disability fund  
14   (24-8135-0-7-602).

15           “Black Lung Disability Trust Fund (20-8144-  
16   0-7-601).

17           “Foreign Service Retirement and Disability  
18   Fund (19-8186-0-7-602).

19           “District of Columbia Judicial Retirement and  
20   Survivors Annuity Fund (20-8212-0-7-602).

21           “Judicial Survivors’ Annuities Fund (10-8110-  
22   0-7-602).

23           “Payments to the Railroad Retirement Ac-  
24   counts (60-0113-0-1-601).



1           “Tax Court Judges Survivors Annuity Fund  
2           (23-8115-0-7-602).

3           “Employees Life Insurance Fund (24-8424-0-  
4           8-602).

5           “(d) FEDERAL ADMINISTRATIVE EXPENSES.—

6           “(1) Notwithstanding any provision of law  
7           other than paragraph (3), administrative expenses  
8           incurred by the departments and agencies, including  
9           independent agencies, of the Government in connec-  
10          tion with any program, project, activity, or account  
11          shall be subject to reduction pursuant to any seques-  
12          tration order, without regard to any exemption, ex-  
13          ception, limitation, or special rule otherwise applica-  
14          ble with respect to such program, project, activity,  
15          or account, and regardless of whether the program,  
16          project, activity, or account is self-supporting and  
17          does not receive appropriations.

18          “(2) Payments made by the Government to re-  
19          imburse or match administrative costs incurred by a  
20          State or political subdivision under or in connection  
21          with any program, project, activity, or account shall  
22          not be considered administrative expenses of the  
23          Government for purposes of this section, and shall  
24          be subject to sequestration to the extent (and only  
25          to the extent) that other payments made by the Gov-

1       ernment under or in connection with that program,  
2       project, activity, or account are subject to that re-  
3       duction or sequestration; except that Federal pay-  
4       ments made to a State as reimbursement of admin-  
5       istrative costs incurred by that State under or in  
6       connection with the unemployment compensation  
7       programs specified in subsection (a)(11) shall be  
8       subject to reduction or sequestration under this part  
9       notwithstanding the exemption otherwise granted to  
10      such programs under that subsection.

11       “(3) Notwithstanding any other provision of  
12      law, the administrative expenses of the following  
13      programs shall be exempt from sequestration:

14               “(A) Comptroller of the Currency.

15               “(B) Federal Deposit Insurance Corpora-  
16      tion.

17               “(C) Office of Thrift Supervision.

18               “(D) National Credit Union Administra-  
19      tion.

20               “(E) National Credit Union Administra-  
21      tion, central liquidity facility.

22               “(F) Federal Retirement Thrift Invest-  
23      ment Board.

24               “(G) Resolution Funding Corporation.

25               “(H) Resolution Trust Corporation.

1                   “(I) Board of Governors of the Federal  
2                   Reserve System.

3                   “(e) VETERANS’ PROGRAMS.—The following pro-  
4 grams shall be exempt from reduction under any order  
5 issued under this part:

6                   “General Post Funds (36-8180-0-7-705).

7                   “Veterans Insurance and Indemnities (36-  
8 0120-0-1-701).

9                   “Service-Disabled Veterans Insurance Funds  
10 (36-4012-0-701).

11                   “Veterans Reopened Insurance Fund (36-  
12 4010-0-3-701).

13                   “Servicemembers’ Group Life Insurance Fund  
14 (36-4009-0-3-701).

15                   “Post-Vietnam Era Veterans Education Ac-  
16 count (36-8133-0-7-702).

17                   “National Service Life Insurance Fund (36-  
18 8132-0-7-701).

19                   “United States Government Life Insurance  
20 Fund (36-8150-0-7-701).

21                   “Veterans Special Life Insurance Fund (36-  
22 8455-0-8-701).

23                   “(f) OPTIONAL EXEMPTION OF DEFENSE AND  
24 HOMELAND SECURITY ACCOUNTS.—

1           “(1) IN GENERAL.—The President may, with  
2       respect to any defense or homeland security account,  
3       exempt that account from sequestration or provide  
4       for a lower uniform percentage reduction than would  
5       otherwise apply.

6           “(2) LIMITATION.—The President may not use  
7       the authority provided by paragraph (1) unless the  
8       President notifies the Congress of the manner in  
9       which such authority will be exercised on or before  
10      the date specified in section 254(a) for the budget  
11      year.”.

12 **SEC. 203. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.**

13       (a) IN GENERAL.—Section 256 of the Balanced  
14      Budget and Emergency Deficit Control Act of 1985 is  
15      amended to read as follows:

16 **“SEC. 256. EXCEPTIONS, LIMITATIONS, AND SPECIAL**  
17 **RULES.**

18       “(a) NATIONAL WOOL ACT AND THE SPECIAL MILK  
19      PROGRAM.—Automatic spending increases are increases  
20      in outlays due to changes in indexes in the following pro-  
21      grams:

22           “(1) National Wool Act; and

23           “(2) Special milk program.

1 In those programs all amounts other than the automatic  
2 spending increases shall be exempt from reduction under  
3 any sequestration order.

4 “(b) THE GUARANTEED STUDENT LOAN PRO-  
5 GRAM.—(1) Any reductions which are required to be  
6 achieved from the student loan programs operated pursu-  
7 ant to part B of title IV of the Higher Education Act of  
8 1965 under any sequestration order shall be achieved only  
9 from loans described in paragraphs (2) and (3) by the ap-  
10 plication of the measures described in such paragraphs.

11 “(2) For any loan made during the period beginning  
12 on the date that a sequestration order takes effect with  
13 respect to a fiscal year, the rate used in computing the  
14 special allowance payment pursuant to section  
15 438(b)(2)(A)(iii) of such Act for each of the first four spe-  
16 cial allowance payments for such loan shall be adjusted  
17 by reducing such rate by the lesser of—

18 “(A) 0.40 percent, or

19 “(B) the percentage by which the rate specified  
20 in such section exceeds 3 percent.

21 “(3) For any loan made during the period beginning  
22 on the date that a sequestration order takes effect with  
23 respect to a fiscal year, the origination fee which is author-  
24 ized to be collected pursuant to section 438(c)(2) of such  
25 Act shall be increased by 0.50 percent.

1       “(c) FOSTER CARE AND ADOPTION ASSISTANCE  
2 PROGRAMS.—Any sequestration order shall make the re-  
3 duction otherwise required under the foster care and adop-  
4 tion assistance programs (established by part E of title  
5 IV of the Social Security Act) only with respect to pay-  
6 ments and expenditures made by States in which increases  
7 in foster care maintenance payment rates or adoption as-  
8 sistance payment rates (or both) are to take effect during  
9 the fiscal year involved, and only to the extent that the  
10 required reduction can be accomplished by applying a uni-  
11 form percentage reduction to the Federal matching pay-  
12 ments that each such State would otherwise receive under  
13 section 474 of that Act (for such fiscal year) for that por-  
14 tion of the State’s payments attributable to the increases  
15 taking effect during that year. No State’s matching pay-  
16 ments from the Government for foster care maintenance  
17 payments or for adoption assistance maintenance pay-  
18 ments may be reduced by a percentage exceeding the ap-  
19 plicable domestic sequestration percentage. No State may,  
20 after the date of the enactment of this Act, make any  
21 change in the timetable for making payments under a  
22 State plan approved under part E of title IV of the Social  
23 Security Act which has the effect of changing the fiscal  
24 year in which expenditures under such part are made.

1       “(d) LOW-INCOME PROGRAMS.—(1) Benefit pay-  
2 ments or payments to States or other entities for the pro-  
3 grams listed in paragraph (2) shall not be reduced by  
4 more than 2 percent under any sequestration order. When  
5 reduced under an end-of-session sequestration order, those  
6 benefit reductions shall occur starting with the payment  
7 made at the start of January. When reduced under a with-  
8 in-session sequestration order, those benefit reductions  
9 shall occur starting with the next periodic payment.

10       “(2) The programs referred to in paragraph (1) are  
11 the following:

12               “Child Nutrition (12-3539-0-1-605).

13               “Grants to States for Medicaid (75-0512-0-1-  
14 551).

15               “State Children’s Health Insurance Fund (75-  
16 0515-0-1-551).

17               “Supplemental Security Income Program (75-  
18 0406-0-1-609).

19               “Temporary Assistance for Needy Families  
20 (75-1552-0-1-609).

21               “Special supplemental nutrition program for  
22 women, infants, and children (WIC) (12-3510-0-1-  
23 605).

24       “(e) VETERANS’ MEDICAL CARE.—The maximum  
25 permissible reduction in budget authority for Veterans’

1 medical care (36-0160-0-1-703) for any fiscal year, pur-  
2 suant to an order issued under section 254, shall be 2  
3 percent.

4 “(f) FEDERAL RETIREMENT PROGRAMS.—

5 “(1) For each of the programs listed in para-  
6 graph (2) and except as provided in paragraph (3),  
7 monthly (or other periodic) benefit payments shall  
8 be reduced by the uniform percentage applicable to  
9 direct spending sequestrations for such programs,  
10 which shall in no case exceed 2 percent under any  
11 sequestration order. When reduced under an end-of-  
12 session sequestration order, those benefit reductions  
13 shall occur starting with the payment made at the  
14 start of January or 7 weeks after the order is  
15 issued, whichever is later. When reduced under a  
16 within-session sequestration order, those benefit re-  
17 ductions shall occur starting with the next periodic  
18 payment.

19 “(2) The programs subject to paragraph (1)  
20 are:

21 “Central Intelligence Agency Retirement  
22 and Disability Fund (56-3400-0-1-054).

23 “Comptrollers General Retirement System  
24 (05-0107-0-1-801)



1                   “Judicial Officers’ Retirement Fund (10–  
2                   8122–0–7–602).

3                   “Claims Judges’ Retirement Fund (10–  
4                   8124–0–7–602).

5                   “Pensions for former Presidents (47–  
6                   0105–0–1–802).

7                   “National Oceanic and Atmospheric Ad-  
8                   ministration Retirement (13–1450–0–1–306).

9                   “Railroad Industry Pension Fund (60–  
10                  8011–0–7–601).

11                  “Retired pay, Coast Guard (70–0602–0–1–  
12                  403).

13                  “Retirement pay and medical benefits for  
14                  commissioned officers, Public Health Service  
15                  (75–0379–0–1–551).

16                  “Payments to Civil Service Retirement and  
17                  Disability Fund (24–0200–0–1–805).

18                  “Payments to the Foreign Service Retire-  
19                  ment and Disability Fund (72–1036–0–1–153)

20                  “Payments to Judiciary Trust Funds (10–  
21                  0941–0–1–752).

22                  “(g) VETERANS PROGRAMS.—To achieve the total  
23                  percentage reduction required by any order issued under  
24                  this part, the percentage reduction that shall apply to pay-

1 ments under the following programs shall in no event ex-  
2 ceed 2 percent:

3 “Canteen Service Revolving Fund (36-4014-0-  
4 3-705).

5 “Medical Center Research Organizations (36-  
6 4026-0-3-703).

7 “Disability Compensation Benefits (36-0102-  
8 0-1-701).

9 “Education Benefits (36-0137-0-1-702).

10 “Vocational Rehabilitation and Employment  
11 Benefits (36-0135-0-1-702).

12 “Pensions Benefits (36-0154-0-1-701).

13 “Burial Benefits (36-0139-0-1-701).

14 “Guaranteed Transitional Housing Loans For  
15 Homeless Veterans Program Account (36-1119-0-  
16 1-704).

17 “Housing Direct Loan Financing Account (36-  
18 4127-0-1-704).

19 “Housing Guaranteed Loan Financing Account  
20 (36-4129-0-3-704).

21 “Vocational Rehabilitation and Education Di-  
22 rect Loan Financing Account (36-4259-0-3-702).

23 “(h) MILITARY RETIREMENT.—To achieve the total  
24 percentage reduction in military retirement required by  
25 any order issued under this part, the percentage reduction

1 that shall apply to payments under the military retirement  
2 fund (97-8097-0-7-602) and payments to the military  
3 retirement fund (97-0040-0-1-054) shall in no event ex-  
4 ceed 2 percent.

5 “(i) FEDERAL PAY.—

6 “(1) IN GENERAL.—For purposes of any order  
7 issued under section 254, new budget authority to  
8 pay Federal personnel shall be reduced by the appli-  
9 cable uniform percentage, but no sequestration order  
10 may reduce or have the effect of reducing the rate  
11 of pay to which any individual is entitled under any  
12 statutory pay system (as increased by any amount  
13 payable under section 5304 of title 5, United States  
14 Code, or section 302 of the Federal Employees Pay  
15 Comparability Act of 1990) or the rate of any ele-  
16 ment of military pay to which any individual is enti-  
17 tled under title 37, United States Code, or any in-  
18 crease in rates of pay which is scheduled to take ef-  
19 fect under section 5303 of title 5, United States  
20 Code, section 1009 of title 37, United States Code,  
21 or any other provision of law.

22 “(2) DEFINITIONS.—For purposes of this sub-  
23 section:

1           “(A) The term ‘statutory pay system’ shall  
2           have the meaning given that term in section  
3           5302(1) of title 5, United States Code.

4           “(B) The term ‘elements of military pay’  
5           means—

6                   “(i) the elements of compensation of  
7                   members of the uniformed services speci-  
8                   fied in section 1009 of title 37, United  
9                   States Code,

10                   “(ii) allowances provided members of  
11                   the uniformed services under sections 403a  
12                   and 405 of such title, and

13                   “(iii) cadet pay and midshipman pay  
14                   under section 203(c) of such title.

15           “(C) The term ‘uniformed services’ shall  
16           have the meaning given that term in section  
17           101(3) of title 37, United States Code.

18           “(j) CHILD SUPPORT ENFORCEMENT PROGRAM.—  
19           Any sequestration order shall accomplish the full amount  
20           of any required reduction in expenditures under sections  
21           455 and 458 of the Social Security Act by reducing the  
22           Federal matching rate for State administrative costs  
23           under such program, as specified (for the fiscal year in-  
24           volved) in section 455(a) of such Act, to the extent nec-  
25           essary to reduce such expenditures by that amount.

1       “(k) EXTENDED UNEMPLOYMENT COMPENSA-  
2 TION.—(1) A State may reduce each weekly benefit pay-  
3 ment made under the Federal-State Extended Unemploy-  
4 ment Compensation Act of 1970 for any week of unem-  
5 ployment occurring during any period with respect to  
6 which payments are reduced under an order issued under  
7 this title by a percentage not to exceed the percentage by  
8 which the Federal payment to the State under section 204  
9 of such Act is to be reduced for such week as a result  
10 of such order.

11       “(2) A reduction by a State in accordance with sub-  
12 paragraph (A) shall not be considered as a failure to fulfill  
13 the requirements of section 3304(a)(11) of the Internal  
14 Revenue Code of 1954.

15       “(l) COMMODITY CREDIT CORPORATION.—

16       “(1) POWERS AND AUTHORITIES OF THE COM-  
17 MODITY CREDIT CORPORATION.—This title shall not  
18 restrict the Commodity Credit Corporation in the  
19 discharge of its authority and responsibility as a cor-  
20 poration to buy and sell commodities in world trade,  
21 to use the proceeds as a revolving fund to meet  
22 other obligations and otherwise operate as a corpora-  
23 tion, the purpose for which it was created.

24       “(2) REDUCTION IN PAYMENTS MADE UNDER  
25 CONTRACTS.—(A) Payments and loan eligibility

1 under any contract entered into with a person by the  
2 Commodity Credit Corporation prior to the time any  
3 sequestration order has been issued shall not be re-  
4 duced by an order subsequently issued. Subject to  
5 subparagraph (B), after any sequestration order is  
6 issued for a fiscal year, any cash payments made by  
7 the Commodity Credit Corporation—

8 “(i) under the terms of any one-year con-  
9 tract entered into in or after such fiscal year  
10 and after the issuance of the order; and

11 “(ii) out of an entitlement account,  
12 to any person (including any producer, lender, or  
13 guarantee entity) shall be subject to reduction under  
14 the order.

15 “(B) Each contract entered into with producers  
16 or producer cooperatives with respect to a particular  
17 crop of a commodity and subject to reduction under  
18 subparagraph (A) shall be reduced in accordance  
19 with the same terms and conditions. If some, but  
20 not all, contracts applicable to a crop of a com-  
21 modity have been entered into prior to the issuance  
22 of any sequestration order, the order shall provide  
23 that the necessary reduction in payments under con-  
24 tracts applicable to the commodity be uniformly ap-  
25 plied to all contracts for succeeding crops of the

1 commodity, under the authority provided in para-  
2 graph (3).

3 “(3) DELAYED REDUCTION IN OUTLAYS PER-  
4 MISSIBLE.—Notwithstanding any other provision of  
5 this title, if any sequestration order is issued with  
6 respect to a fiscal year, any reduction under the  
7 order applicable to contracts described in paragraph  
8 (2) may provide for reductions in outlays for the ac-  
9 count involved to occur in the fiscal years following  
10 the fiscal year to which the order applies.

11 “(4) UNIFORM PERCENTAGE RATE OF REDUC-  
12 TION AND OTHER LIMITATIONS.—All reductions de-  
13 scribed in paragraph (2) that are required to be  
14 made in connection with any sequestration order  
15 with respect to a fiscal year—

16 “(A) shall be made so as to ensure that  
17 outlays for each program, project, activity, or  
18 account involved are reduced by a percentage  
19 rate that is uniform for all such programs,  
20 projects, activities, and accounts, and may not  
21 be made so as to achieve a percentage rate of  
22 reduction in any such item exceeding the rate  
23 specified in the order; and

24 “(B) with respect to commodity price sup-  
25 port and income protection programs, shall be

1           made in such manner and under such proce-  
2           dures as will attempt to ensure that—

3                   “(i) uncertainty as to the scope of  
4                   benefits under any such program is mini-  
5                   mized;

6                   “(ii) any instability in market prices  
7                   for agricultural commodities resulting from  
8                   the reduction is minimized; and

9                   “(iii) normal production and mar-  
10                  keting relationships among agricultural  
11                  commodities (including both contract and  
12                  non-contract commodities) are not dis-  
13                  torted.

14               In meeting the criterion set out in clause (iii)  
15               of subparagraph (B) of the preceding sentence,  
16               the President shall take into consideration that  
17               reductions under an order may apply to pro-  
18               grams for two or more agricultural commodities  
19               that use the same type of production or mar-  
20               keting resources or that are alternative com-  
21               modities among which a producer could choose  
22               in making annual production decisions.

23               “(5) CERTAIN AUTHORITY NOT TO BE LIM-  
24               ITED.—Nothing in this title shall limit or reduce in  
25               any way any appropriation that provides the Com-



1        modify Credit Corporation with funds to cover the  
2        Corporation's net realized losses.

3        "(m) POSTAL SERVICE FUND.—Notwithstanding any  
4        other provision of law, any sequestration of the Postal  
5        Service Fund shall be accomplished by a payment from  
6        that Fund to the General Fund of the Treasury, and the  
7        Postmaster General of the United States shall make the  
8        full amount of that payment during the fiscal year to  
9        which the presidential sequestration order applies.

10        "(n) EFFECTS OF SEQUESTRATION.—The effects of  
11        sequestration shall be as follows:

12                "(1) Budgetary resources sequestered from any  
13        account other than an entitlement trust, special, or  
14        revolving fund account shall revert to the Treasury  
15        and be permanently canceled.

16                "(2) Except as otherwise provided, the same  
17        percentage sequestration shall apply to all programs,  
18        projects, and activities within a budget account (with  
19        programs, projects, and activities as delineated in  
20        the appropriation Act or accompanying report for  
21        the relevant fiscal year covering that account, or for  
22        accounts not included in appropriation Acts, as de-  
23        lineated in the most recently submitted President's  
24        budget).

1           “(3) Administrative regulations or similar ac-  
2           tions implementing a sequestration shall be made  
3           within 120 days of the sequestration order. To the  
4           extent that formula allocations differ at different  
5           levels of budgetary resources within an account, pro-  
6           gram, project, or activity, the sequestration shall be  
7           interpreted as producing a lower total appropriation,  
8           with that lower appropriation being obligated as  
9           though it had been the pre-sequestration appropria-  
10          tion and no sequestration had occurred.

11          “(4) Except as otherwise provided, obligations  
12          in sequestered direct spending accounts shall be re-  
13          duced in the fiscal year in which a sequestration oc-  
14          curs and in all succeeding fiscal years.

15          “(5) If an automatic spending increase is se-  
16          questered, the increase (in the applicable index) that  
17          was disregarded as a result of that sequestration  
18          shall not be taken into account in any subsequent  
19          fiscal year.

20          “(6) Except as otherwise provided, sequestra-  
21          tion in accounts for which obligations are indefinite  
22          shall be taken in a manner to ensure that obliga-  
23          tions in the fiscal year of a sequestration and suc-  
24          ceeding fiscal years are reduced, from the level that

1 would actually have occurred, by the applicable se-  
2 questration percentage.”.

3 (b) CONFORMING AMENDMENT.—The table of con-  
4 tents set forth in 250(a) of the Balanced Budget and  
5 Emergency Deficit Control Act of 1985 is amended by  
6 amending the item relating to section 256 to read as fol-  
7 lows:

“Sec. 256. Exceptions, limitations, and special rules.”.

8 **SEC. 204. POINT OF ORDER.**

9 (a) ENTITLEMENT POINT OF ORDER.—Section 312  
10 of the Congressional Budget Act of 1974 is amended by  
11 adding at the end the following new subsection:

12 “(g) ENTITLEMENT POINT OF ORDER.—It shall not  
13 be in order in the House of Representatives or the Senate  
14 to consider any bill, joint resolution, amendment, or con-  
15 ference report that—

16 “(1) increases aggregate level of direct spending  
17 for any ensuing fiscal year or

18 “(2) includes any provision that has the effect  
19 of modifying the application of section 252A of the  
20 Balanced Budget and Emergency Deficit Control  
21 Act of 1985 to any entitlement program subject to  
22 sequestration or exempt from sequestration under  
23 such Act.”.

1 **SEC. 205. TECHNICAL AND CONFORMING AMENDMENTS.**

2 The Balanced Budget and Emergency Deficit Control  
3 Act of 1985 is amended as follows:

4 (1) Section 251(a)(1) is amended by inserting  
5 “, section 252A,” after “section 252”.

6 (2) Section 254(c)(4)(B) is amended by insert-  
7 ing “or section 252A” after “section 252”.

8 (3) Section 254(c) is amended by redesignating  
9 paragraph (5) as paragraph (6) and by inserting  
10 after paragraph (4) the following new paragraph:

11 “(5) DIRECT SPENDING CONTROL SEQUESTRA-  
12 TION REPORTS.—The preview reports shall set forth,  
13 for the current year and the budget year, estimates  
14 for each of the following:

15 “(A) The total level of direct spending for  
16 all programs, projects, and activities (excluding  
17 social security).

18 “(B) The sequestration percentage or (if  
19 the required sequestration percentage is greater  
20 than the maximum allowable percentage for  
21 medicare) percentages necessary to comply with  
22 section 252A.”.

23 (4) Section 254(f) is amended by redesignating  
24 paragraphs (4) and (5) as paragraphs (5) and (6)  
25 and by inserting after paragraph (3) the following  
26 new paragraph:

1           “(4) DIRECT SPENDING CONTROL SEQUESTRA-  
2           TION REPORTS.—The final reports shall contain all  
3           the information required in the direct spending con-  
4           trol sequestration preview reports. In addition, these  
5           reports shall contain, for the budget year, for each  
6           account to be sequestered, estimates of the baseline  
7           level of sequesterable budgetary resources and re-  
8           sulting outlays and the amount of budgetary re-  
9           sources to be sequestered and resulting outlay reduc-  
10          tions. The reports shall also contain estimates of the  
11          effects on outlays of the sequestration in each out-  
12          year for direct spending programs.”.

13           (5) Section 258C(a)(1) is amended by inserting  
14          “, 252A,” after “section 252”.

15                   **Subtitle B—Discretionary**  
16                   **Spending Limits**

17   **SEC. 211. ENFORCING DISCRETIONARY SPENDING LIMITS.**

18           (a) DISCRETIONARY SPENDING LIMITS.—Sections  
19   251(b) and (c) of the Balanced Budget and Emergency  
20   Deficit Control of Act of 1985 are amended to read as  
21   follows:

22           “(b) DISCRETIONARY SPENDING LIMIT.—As used in  
23   this part, the term ‘discretionary spending limit’ means  
24   with respect to fiscal year 2005: \$818,736,000,000 in new  
25   budget authority and \$901,816,000,000 in outlays.”.

1 (b) DISCRETIONARY SPENDING LIMIT POINT OF  
2 ORDER.—Section 312 of the Congressional Budget Act of  
3 1974 (as amended by section 204(a)) is further amended  
4 by adding at the end the following new subsection:

5 “(h) DISCRETIONARY SPENDING LIMIT POINT OF  
6 ORDER.—It shall not be in order in the House of Rep-  
7 resentatives or the Senate to consider any bill, joint resolu-  
8 tion, amendment, or conference report that—

9 “(1) increases the discretionary spending limits  
10 for any ensuing fiscal year after the budget year; or

11 “(2) would cause the discretionary spending  
12 limits for the budget year to be breached.”.

13 **SEC. 212. ANNUAL JOINT RESOLUTION ESTABLISHING DIS-**  
14 **CRETIONARY SPENDING LIMITS.**

15 (a) IN GENERAL.—Title III of the Congressional  
16 Budget Act of 1974 is amended by adding at the end the  
17 following new section:

18 “ANNUAL JOINT RESOLUTION ESTABLISHING  
19 DISCRETIONARY SPENDING LIMITS

20 “SEC. 317. (a) INTRODUCTION.—Before the close of  
21 the second legislative day of the House of Representatives  
22 after the date of House passage of a concurrent resolution  
23 on the budget, the chairman of the Committee on the  
24 Budget of the House shall introduce a joint resolution that  
25 amends section 251(b) of the Balanced Budget and Emer-  
26 gency Deficit Control of Act of 1985 to establish a discre-

1 tionary spending limit for the fiscal year of the concurrent  
2 resolution.

3 “(b) EXPEDITED CONSIDERATION.—For purposes of  
4 the consideration of a joint resolution introduced pursuant  
5 to subsection (a), the provisions of subsections (c) and (d)  
6 of section 1013 (other than subsection (c)(1)(A)) shall be  
7 applied by substituting ‘joint resolution’ and ‘Committee  
8 on the Budget’ for ‘bill’ and ‘Committee on Appropria-  
9 tions’, respectively.”.

10 (b) CONFORMING AMENDMENT.—The table of con-  
11 tents set forth in section 1(b) of the Congressional Budget  
12 and Impoundment Control Act of 1974 is amended by in-  
13 serting after the item relating to section 316 the following  
14 new item:

“Sec. 317. Annual joint resolution establishing discretionary spending limits.”.

15 **TITLE III—COMBATING WASTE,**  
16 **FRAUD, AND ABUSE.**  
17 **Subtitle A—Enhanced Rescissions**  
18 **of Budget Authority Identified**  
19 **by the President as Wasteful**  
20 **Spending**

21 **SEC. 301. ENHANCED CONSIDERATION OF CERTAIN PRO-**  
22 **POSED RESCISSIONS.**

23 (a) IN GENERAL.—Part B of title X of the Congres-  
24 sional Budget and Impoundment Control Act of 1974 (2  
25 U.S.C. 681 et seq.) is amended by redesignating sections

1 1013 through 1017 as sections 1014 through 1018, re-  
2 spectively, and by inserting after section 1012 the fol-  
3 lowing new section:

4 “ENHANCED CONSIDERATION OF CERTAIN PROPOSED  
5 RESCISSIONS

6 “SEC. 1013. (a) PROPOSED RESCISSION OF BUDGET  
7 AUTHORITY IDENTIFIED AS WASTEFUL SPENDING.—The  
8 President may propose, at the time and in the manner  
9 provided in subsection (b), the rescission of any budget  
10 authority provided in an appropriation Act that he identi-  
11 fies as wasteful spending. If the President proposes a re-  
12 scission of budget authority, he may also propose to reduce  
13 the appropriate discretionary spending limits for new  
14 budget authority and outlays flowing therefrom set forth  
15 in section 251(b) of the Balanced Budget and Emergency  
16 Deficit Control Act of 1985 by an amount that does not  
17 exceed the amount of the proposed rescission. Funds made  
18 available for obligation under this procedure may not be  
19 proposed for rescission again under this section.

20 “(b) TRANSMITTAL OF SPECIAL MESSAGE.—

21 “(1) The President may transmit to Congress a  
22 special message proposing to rescind amounts of  
23 budget authority and include with that special mes-  
24 sage a draft bill that, if enacted, would only rescind  
25 that budget authority unless the President also pro-  
26 poses a reduction in the appropriate discretionary



1 spending limits set forth in section 251(b) of the  
2 Balanced Budget and Emergency Deficit Control  
3 Act of 1985. That bill shall clearly identify the  
4 amount of budget authority that is proposed to be  
5 rescinded for each program, project, or activity to  
6 which that budget authority relates.

7 “(2) In the case of an appropriation Act that  
8 includes accounts within the jurisdiction of more  
9 than one subcommittee of the Committee on Appro-  
10 priations, the President in proposing to rescind  
11 budget authority under this section shall send a sep-  
12 arate special message and accompanying draft bill  
13 for accounts within the jurisdiction of each sub-  
14 committee.

15 “(3) Each special message shall specify, with  
16 respect to the budget authority proposed to be re-  
17 scinded, the following:

18 “(A) The amount of budget authority  
19 which he proposes to be rescinded.

20 “(B) Any account, department, or estab-  
21 lishment of the Government to which such  
22 budget authority is available for obligation, and  
23 the specific project or governmental functions  
24 involved.

1           “(C) The reasons why the budget authority  
2           should be rescinded, including why he considers  
3           it to be wasteful spending.

4           “(D) To the maximum extent practicable,  
5           the estimated fiscal, economic, and budgetary  
6           effect (including the effect on outlays and re-  
7           ceipts in each fiscal year) of the proposed re-  
8           scission.

9           “(E) All facts, circumstances, and consid-  
10          erations relating to or bearing upon the pro-  
11          posed rescission and the decision to effect the  
12          proposed rescission, and to the maximum extent  
13          practicable, the estimated effect of the proposed  
14          rescission upon the objects, purposes, and pro-  
15          grams for which the budget authority is pro-  
16          vided.

17          “(F) A reduction in the appropriate discre-  
18          tionary spending limits set forth in section  
19          251(b) of the Balanced Budget and Emergency  
20          Deficit Control Act of 1985, if proposed by the  
21          President.

22          “(c) PROCEDURES FOR EXPEDITED CONSIDER-  
23          ATION.—

24          “(1)(A) Before the close of the second legisla-  
25          tive day of the House of Representatives after the

1 date of receipt of a special message transmitted to  
2 Congress under subsection (b), the majority leader  
3 or minority leader of the House of Representatives  
4 shall introduce (by request) the draft bill accom-  
5 panying that special message. If the bill is not intro-  
6 duced as provided in the preceding sentence, then,  
7 on the third legislative day of the House of Rep-  
8 resentatives after the date of receipt of that special  
9 message, any Member of that House may introduce  
10 the bill.

11 “(B) The bill shall be referred to the Com-  
12 mittee on Appropriations. The bill shall be reported  
13 not later than the seventh legislative day of that  
14 House after the date of receipt of that special mes-  
15 sage. If that committee fails to report the bill within  
16 that period, that committee shall be automatically  
17 discharged from consideration of the bill, and the  
18 bill shall be placed on the appropriate calendar.

19 “(C) A vote on final passage of the bill shall be  
20 taken in the House of Representatives on or before  
21 the close of the 10th legislative day of that House  
22 after the date of the introduction of the bill in that  
23 House. If the bill is passed, the Clerk of the House  
24 of Representatives shall cause the bill to be en-  
25 grossed, certified, and transmitted to the Senate

1 within one calendar day of the day on which the bill  
2 is passed.

3 “(2)(A) A motion in the House of Representa-  
4 tives to proceed to the consideration of a bill under  
5 this section shall be highly privileged and not debat-  
6 able. An amendment to the motion shall not be in  
7 order, nor shall it be in order to move to reconsider  
8 the vote by which the motion is agreed to or dis-  
9 agreed to.

10 “(B) Debate in the House of Representatives  
11 on a bill under this section shall not exceed 4 hours,  
12 which shall be divided equally between those favoring  
13 and those opposing the bill. A motion to further  
14 limit debate shall not be debatable. It shall not be  
15 in order to move to recommit a bill under this sec-  
16 tion or to move to reconsider the vote by which the  
17 bill is agreed to or disagreed to.

18 “(C) Appeals from decisions of the Chair relat-  
19 ing to the application of the Rules of the House of  
20 Representatives to the procedure relating to a bill  
21 under this section shall be decided without debate.

22 “(D) Except to the extent specifically provided  
23 in the preceding provisions of this subsection, con-  
24 sideration of a bill under this section shall be gov-  
25 erned by the Rules of the House of Representatives.

1       It shall not be in order in the House of Representa-  
2       tives to consider any rescission bill introduced pursu-  
3       ant to the provisions of this section under a suspen-  
4       sion of the rules or under a special rule.

5           “(3) A bill transmitted to the Senate pursuant  
6       to paragraph (1)(D) shall be referred to its Com-  
7       mittee on Appropriations. That committee shall re-  
8       port the bill without substantive revision and with or  
9       without recommendation. The bill shall be reported  
10      not later than the seventh legislative day of the Sen-  
11      ate after it receives the bill. A committee failing to  
12      report the bill within such period shall be automati-  
13      cally discharged from consideration of the bill, and  
14      the bill shall be placed upon the appropriate cal-  
15      endar.

16           “(4)(A) A motion in the Senate to proceed to  
17      the consideration of a bill under this section shall be  
18      privileged and not debatable. An amendment to the  
19      motion shall not be in order, nor shall it be in order  
20      to move to reconsider the vote by which the motion  
21      is agreed to or disagreed to.

22           “(B) Debate in the Senate on a bill under this  
23      section, and all debatable motions and appeals in  
24      connection therewith (including debate pursuant to  
25      subparagraph (C)), shall not exceed 10 hours. The

1 time shall be equally divided between, and controlled  
2 by, the majority leader and the minority leader or  
3 their designees.

4 “(C) Debate in the Senate or any debatable mo-  
5 tion or appeal in connection with a bill under this  
6 section shall be limited to not more than 1 hour, to  
7 be equally divided between, and controlled by, the  
8 mover and the manager of the bill, except that in  
9 the event the manager of the bill is in favor of any  
10 such motion or appeal, the time in opposition there-  
11 to, shall be controlled by the minority leader or his  
12 designee. Such leaders, or either of them, may, from  
13 time under their control of the passage of a bill,  
14 allot additional time to any Senator during the con-  
15 sideration of any debatable motion or appeal.

16 “(D) A motion in the Senate to further limit  
17 debate on a bill under this section is not debatable.  
18 A motion to recommit a bill under this section is not  
19 in order.

20 “(d) AMENDMENT AND DIVISIONS PROHIBITED.—No  
21 amendment to a bill considered under this section shall  
22 be in order in either the House of Representatives or the  
23 Senate. It shall not be in order to demand a division of  
24 the question in the House of Representatives (or in a Com-  
25 mittee of the Whole) or in the Senate. No motion to sus-

1 pend the application of this subsection shall be in order  
2 in either House, nor shall it be in order in either House  
3 to suspend the application of this subsection by unanimous  
4 consent.

5 “(e) REQUIREMENT TO MAKE AVAILABLE FOR OBLI-  
6 GATION.—Any amount of budget authority proposed to be  
7 rescinded in a special message transmitted to Congress  
8 under subsection (b) shall be made available for obligation  
9 on the day after the date on which either House rejects  
10 the bill transmitted with that special message.

11 “(f) DEFINITIONS.—For purposes of this section:

12 “(1) The term ‘appropriation Act’ means any  
13 general or special appropriation Act, and any Act or  
14 joint resolution making supplemental, deficiency, or  
15 continuing appropriations.

16 “(2) The term ‘legislative day’ means, with re-  
17 spect to either House of Congress, any day of ses-  
18 sion.

19 “(3) The term ‘rescind’ means, with respect to  
20 an appropriation Act, to reduce the amount of budg-  
21 et authority appropriated in that Act, and reducing  
22 budget authority shall include reducing obligation  
23 limitations set forth in that Act.”.

1 (b) EXERCISE OF RULEMAKING POWERS.—Section  
2 904 of the Congressional Budget Act of 1974 (2 U.S.C.  
3 621 note) is amended—

4 (1) in subsection (a), by striking “and 1017”  
5 and inserting “1012, and 1017”; and

6 (2) in subsection (d), by striking “section  
7 1017” and inserting “sections 1012 and 1017”.

8 (c) CONFORMING AMENDMENTS—

9 (1) Section 1011 of the Congressional Budget  
10 Act of 1974 (2 U.S.C. 682(5)) is amended by re-  
11 pealing paragraphs (3) and (5) and by redesignating  
12 paragraph (4) as paragraph (3).

13 (2) Section 1014 of such Act (2 U.S.C. 685) is  
14 amended—

15 (A) in subsection (b)(1), by striking “or  
16 the reservation”; and

17 (B) in subsection (e)(1), by striking “or a  
18 reservation” and by striking “or each such res-  
19 ervation”.

20 (3) Section 1015(a) of such Act (2 U.S.C. 686)  
21 is amended by striking “is to establish a reserve or”,  
22 by striking “the establishment of such a reserve or”,  
23 and by striking “reserve or” each other place it ap-  
24 pears.



1           (4) Section 1017 of such Act (2 U.S.C. 687) is  
2 amended—

3           (A) in subsection (a), by striking “rescis-  
4 sion bill introduced with respect to a special  
5 message or”;

6           (B) in subsection (b)(1), by striking “re-  
7 scission bill or”, by striking “bill or” the second  
8 place it appears, by striking “rescission bill with  
9 respect to the same special message or”, and by  
10 striking “, and the case may be,”;

11          (C) in subsection (b)(2), by striking “bill  
12 or” each place it appears;

13          (D) in subsection (c), by striking “rescis-  
14 sion” each place it appears and by striking “bill  
15 or” each place it appears;

16          (E) in subsection (d)(1), by striking “re-  
17 scission bill or” and by striking “, and all  
18 amendments thereto (in the case of a rescission  
19 bill)”;

20          (F) in subsection (d)(2)—

21           (i) by striking the first sentence;

22           (ii) by amending the second sentence  
23 to read as follows: “Debate on any debat-  
24 able motion or appeal in connection with  
25 an impoundment resolution shall be limited

1 to 1 hour, to be equally divided between,  
2 and controlled by, the mover and the man-  
3 ager of the resolution, except that in the  
4 event that the manager of the resolution is  
5 in favor of any such motion or appeal, the  
6 time in opposition thereto shall be con-  
7 trolled by the minority leader or his des-  
8 ignee.”;

9 (iii) by striking the third sentence;  
10 and

11 (iv) in the fourth sentence, by striking  
12 “rescission bill or” and by striking  
13 “amendment, debatable motion,” and by  
14 inserting ‘debatable motion’;

15 (G) in paragraph (d)(3), by striking the  
16 second and third sentences; and

17 (H) by striking paragraphs (4), (5), (6),  
18 and (7) of paragraph (d).

19 (d) CLERICAL AMENDMENTS—The table of sections  
20 for subpart B of title X of the Congressional Budget and  
21 Impoundment Control Act of 1974 is amended by redesign-  
22 ating the item relating to sections 1014 through 1018  
23 as items 1015 through 1019, respectively, and by inserting  
24 after the item relating to section 1012 the following new  
25 item:

“Sec. 1013. Enhanced consideration of certain proposed rescissions.”.

1           **Subtitle B—Commission to**  
2           **Eliminate Waste, Fraud, and Abuse**

3           **SEC. 311. ESTABLISHMENT OF COMMISSION.**

4           (a) **ESTABLISHMENT.**—There is established the Com-  
5           mission to Eliminate Waste, Fraud, and Abuse (hereafter  
6           in this subtitle referred to as the “Commission”).

7           (b) **MEMBERSHIP.**—

8                 (1) **IN GENERAL.**—The Commission shall con-  
9           sist of 12 members, all of whom shall be appointed  
10          by the President not later than 90 days after the  
11          date of enactment of this Act.

12                (2) **CHAIRPERSON AND VICE CHAIRPERSON.**—  
13          The President shall designate a chairperson and vice  
14          chairperson from among the members of the Com-  
15          mission.

16           (c) **PERIOD OF APPOINTMENT; VACANCIES.**—Mem-  
17          bers shall be appointed for the life of the Commission. Any  
18          vacancy in the Commission shall not affect its powers, but  
19          shall be filled in the same manner as the original appoint-  
20          ment.

21           (d) **MEETINGS.**—

22                 (1) **INITIAL MEETING.**—Not later than 30 days  
23          after the date on which all members of the Commis-  
24          sion have been appointed, the Commission shall hold  
25          its first meeting.

1 (2) SUBSEQUENT MEETINGS.—The Commission  
2 shall meet at the call of the chairperson.

3 (e) QUORUM.—A majority of the members of the  
4 Commission shall constitute a quorum, but a lesser num-  
5 ber of members may hold hearings.

6 **SEC. 312. DUTIES OF THE COMMISSION.**

7 (a) DEFINITIONS.—In this section, the following defi-  
8 nitions shall apply:

9 (1) AGENCY.—The term “agency” has the  
10 meaning given the term “Executive agency” under  
11 section 105 of title 5, United States Code.

12 (2) PROGRAM.—The term “program” means  
13 any activity or function of an agency.

14 (b) IN GENERAL.—The Commission shall—

15 (1) evaluate all agencies and programs within  
16 those agencies, using the criteria under subsection  
17 (c); and

18 (2) submit to Congress a plan with rec-  
19 ommendations of the agencies and programs that  
20 should be realigned or eliminated.

21 (c) CRITERIA.—

22 (1) DUPLICATIVE.—If 2 or more agencies or  
23 programs are performing the same essential function  
24 and the function can be consolidated or streamlined  
25 into a single agency or program, the Commission

1 shall recommend that the agency or program be re-  
2 aligned.

3 (2) WASTEFUL OR INEFFICIENT.—The Com-  
4 mission shall recommend the realignment or elimi-  
5 nation of any agency or program that has wasted  
6 Federal funds by—

7 (A) egregious spending;

8 (B) mismanagement of resources and per-  
9 sonnel; or

10 (C) use of such funds for personal benefit  
11 or the benefit of a special interest group.

12 (3) OUTDATED, IRRELEVANT, OR FAILED.—The  
13 Commission shall recommend the elimination of any  
14 agency or program that—

15 (A) has completed its intended purpose;

16 (B) has become irrelevant; or

17 (C) has failed to meet its objectives.

18 (d) SYSTEMATIC ASSESSMENT OF PROGRAMS.—

19 (1) IN GENERAL.—Not later than 1 year after  
20 the date of enactment of this Act, the President  
21 shall—

22 (A) establish a systematic method for as-  
23 sessing the effectiveness and accountability of  
24 agency programs; and

1 (B) submit, to the Commission, assess-  
2 ments of not less than  $\frac{1}{2}$  of all programs cov-  
3 ered under subsection (b)(1) that use the meth-  
4 od established under subparagraph (A).

5 (2) METHOD OBJECTIVES.—The method estab-  
6 lished under paragraph (1) shall—

7 (A) recognize different types of federal  
8 programs;

9 (B) assess programs based primarily on  
10 the achievement of performance goals (as de-  
11 fined under section 1115(f)(4) of title 31,  
12 United States Code); and

13 (C) assess programs based in part on the  
14 adequacy of the program's performance meas-  
15 ures, financial management, and other factors  
16 determined by the President.

17 (3) DEVELOPMENT.—The method established  
18 under paragraph (1) shall not be implemented until  
19 it has been reviewed and accepted by the Commis-  
20 sion.

21 (4) CONSIDERATION OF ASSESSMENTS.—The  
22 Commission shall consider assessments submitted  
23 under this subsection when evaluating programs  
24 under subsection (b)(1).

1 (e) COMMON PERFORMANCE MEASURES.—Not later  
2 than 1 year after the date of enactment of this Act, the  
3 President shall identify common performance measures  
4 for programs covered in subsection (b)(1) that have simi-  
5 lar functions and, to the extent feasible, provide the Com-  
6 mission with data on such performance measures.

7 (f) REPORT.—Not later than 2 years after the date  
8 of enactment of this Act, the Commission shall submit to  
9 the President and Congress a report that includes the plan  
10 described under subsection (b)(2), with supporting docu-  
11 mentation for all recommendations.

12 **SEC. 313. POWERS OF THE COMMISSION.**

13 (a) HEARINGS.—The Commission or, at its direction,  
14 any subcommittee or member of the Commission, may, for  
15 the purpose of carrying out this subtitle—

16 (1) hold such hearings, sit and act at such  
17 times and places, take such testimony, receive such  
18 evidence, and administer such oaths as any member  
19 of the Commission considers advisable;

20 (2) require, by subpoena or otherwise, the at-  
21 tendance and testimony of such witnesses as any  
22 member of the Commission considers advisable; and

23 (3) require, by subpoena or otherwise, the pro-  
24 duction of such books, records, correspondence,  
25 memoranda, papers, documents, tapes, and other

1       evidentiary materials relating to any matter under  
2       investigation by the Commission.

3       (b) SUBPOENAS.—

4           (1) ISSUANCE.—Subpoenas issued under sub-  
5       section (a) shall bear the signature of the chair-  
6       person of the Commission and shall be served by any  
7       person or class of persons designated by the chair-  
8       person for that purpose.

9           (2) ENFORCEMENT.—In the case of contumacy  
10      or failure to obey a subpoena issued under sub-  
11      section (a), the United States district court for the  
12      judicial district in which the subpoenaed person re-  
13      sides, is served, or may be found, may issue an order  
14      requiring such person to appear at any designated  
15      place to testify or to produce documentary or other  
16      evidence. Any failure to obey the order of the court  
17      may be punished by the court as a contempt of that  
18      court.

19      (c) INFORMATION FROM FEDERAL AGENCIES.—The  
20      Commission may secure directly from any Federal depart-  
21      ment or agency such information as the Commission con-  
22      siders necessary to carry out this Act. Upon request of  
23      the chairperson of the Commission, the head of such de-  
24      partment or agency shall furnish such information to the  
25      Commission.



1 (d) POSTAL SERVICES.—The Commission may use  
2 the United States mails in the same manner and under  
3 the same conditions as other departments and agencies of  
4 the Government.

5 (e) GIFTS.—The Commission may accept, use, and  
6 dispose of gifts or donations of services or property.

7 **SEC. 314. COMMISSION PERSONNEL MATTERS.**

8 (a) COMPENSATION OF MEMBERS.—

9 (1) NON-FEDERAL MEMBERS.—Except as pro-  
10 vided under subsection (b), each member of the  
11 Commission who is not an officer or employee of the  
12 Government shall not be compensated.

13 (2) FEDERAL OFFICERS OR EMPLOYEES.—All  
14 members of the Commission who are officers or em-  
15 ployees of the United States shall serve without com-  
16 pensation in addition to that received for their serv-  
17 ices as officers or employees of the United States.

18 (b) TRAVEL EXPENSES.—The members of the Com-  
19 mission shall be allowed travel expenses, including per  
20 diem in lieu of subsistence, at rates authorized for employ-  
21 ees of agencies under subchapter I of chapter 57 of title  
22 5, United States Code, while away from their homes or  
23 regular places of business in the performance of services  
24 for the Commission.

25 (c) STAFF.—

1           (1) IN GENERAL.—The chairperson of the Com-  
2 mission may, without regard to the civil service laws  
3 and regulations, appoint and terminate an executive  
4 director and such other additional personnel as may  
5 be necessary to enable the Commission to perform  
6 its duties. The employment of an executive director  
7 shall be subject to confirmation by the Commission.

8           (2) COMPENSATION.—Upon the approval of the  
9 chairperson, the executive director may fix the com-  
10 pensation of the executive director and other per-  
11 sonnel without regard to chapter 51 and subchapter  
12 III of chapter 53 of title 5, United States Code, re-  
13 lating to classification of positions and General  
14 Schedule pay rates, except that the rate of pay for  
15 the executive director and other personnel may not  
16 exceed the maximum rate payable for a position at  
17 GS-15 of the General Schedule under section 5332  
18 of such title.

19           (3) PERSONNEL AS FEDERAL EMPLOYEES.—

20           (A) IN GENERAL.—The executive director  
21 and any personnel of the Commission who are  
22 employees shall be employees under section  
23 2105 of title 5, United States Code, for pur-  
24 poses of chapters 63, 81, 83, 84, 85, 87, 89,  
25 and 90 of that title.

1 (B) MEMBERS OF COMMISSION.—Subpara-  
2 graph (A) shall not be construed to apply to  
3 members of the Commission.

4 (d) DETAIL OF GOVERNMENT EMPLOYEES.—Any  
5 Government employee may be detailed to the Commission  
6 without reimbursement, and such detail shall be without  
7 interruption or loss of civil service status or privilege.

8 (e) PROCUREMENT OF TEMPORARY AND INTERMIT-  
9 TENT SERVICES.—The chairperson of the Commission  
10 may procure temporary and intermittent services under  
11 section 3109(b) of title 5, United States Code, at rates  
12 for individuals which do not exceed the daily equivalent  
13 of the annual rate of basic pay prescribed for level V of  
14 the Executive Schedule under section 5316 of such title.

15 **SEC. 315. TERMINATION OF THE COMMISSION.**

16 The Commission shall terminate 90 days after the  
17 date on which the Commission submits its report.

18 **SEC. 316. AUTHORIZATION OF APPROPRIATIONS.**

19 There are authorized to be appropriated such sums  
20 as may be necessary for carrying out this subtitle for each  
21 of the fiscal years 2006 through 2008.

1                   **TITLE IV—TRUTH IN**  
2                   **ACCOUNTING**  
3       **Subtitle A—Accrual Funding of**  
4       **Pensions and Retirement Pay**  
5       **for Federal Employees and Uni-**  
6       **formed Services Personnel**

7       **SEC. 401. CIVIL SERVICE RETIREMENT SYSTEM.**

8           (a) CIVIL SERVICE RETIREMENT AND DISABILITY  
9       FUND.—Chapter 83 of title 5, United States Code, is  
10       amended—

11               (1) in section 8331—

12                       (A) in paragraph (17)—

13                               (i) by striking “normal cost” and in-  
14                               serting “normal cost percentage”; and

15                               (ii) by inserting “and standards  
16                               (using dynamic assumptions)” after “prac-  
17                               tice”;

18                       (B) by amending paragraph (18) to read  
19               as follows:

20               “(18) ‘Fund balance’ means the current net as-  
21       sets of the Fund available for payment of benefits,  
22       as determined by the Office in accordance with ap-  
23       propriate accounting standards, but does not include  
24       any amount attributable to—

1           “(A) the Federal Employees’ Retirement  
2           System; or

3           “(B) contributions made under the Federal  
4           Employees’ Retirement Contribution Temporary  
5           Adjustment Act of 1983 by or on behalf of any  
6           individual who became subject to the Federal  
7           Employees’ Retirement System;”

8           (C) by amending paragraph (19) to read  
9           as follows:

10          “(19) ‘accrued liability’ means the estimated ex-  
11          cess of the present value of all benefits payable from  
12          the Fund to employees and Members, and former  
13          employees and Members, subject to this subchapter,  
14          and their survivors, over the present value of deduc-  
15          tions to be withheld from the future basic pay of em-  
16          ployees and Members currently subject to this sub-  
17          chapter and of future agency contributions to be  
18          made in their behalf;”

19          (D) in paragraph (27) by striking “and”  
20          at the end;

21          (E) in paragraph (28) by striking the pe-  
22          riod at the end and inserting a semicolon; and

23          (F) by adding at the end the following  
24          paragraphs:

1           “(29) ‘dynamic assumptions’ means economic  
2           assumptions that are used in determining actuarial  
3           costs and liabilities of a retirement system and in  
4           anticipating the effects of long-term future—

5                   “(A) investment yields;

6                   “(B) increases in rates of basic pay; and

7                   “(C) rates of price inflation; and

8           “(30) ‘unfunded liability’ means the estimated  
9           excess of—

10                   “(A) the actuarial present value of all fu-  
11           ture benefits payable from the Fund under this  
12           subchapter based on the service of current or  
13           former employees or Members, over

14                   “(B) the sum of—

15                           “(i) the actuarial present value of de-  
16                           ductions to be withheld from the future  
17                           basic pay of employees and Members cur-  
18                           rently subject to this chapter pursuant to  
19                           section 8334;

20                           “(ii) the actuarial present value of the  
21                           future contributions to be made pursuant  
22                           to section 8334 with respect to employees  
23                           and Members currently subject to this sub-  
24                           chapter;

1           “(iii) the Fund balance, as defined in  
2           paragraph (18), as of the date the un-  
3           funded liability is determined; and

4           “(iv) any other appropriate amount,  
5           as determined by the Office of Personnel  
6           Management in accordance with generally  
7           accepted actuarial practices and prin-  
8           ciples.”;

9           (2) in section 8334—

10          (A) in subsection (a)(1)—

11           (i) by striking the last two sentences;

12           (ii) by redesignating that subsection,  
13           as so amended, as (a)(1)(A); and

14           (iii) by adding at the end the fol-  
15           lowing new subparagraphs:

16          “(B) Except as provided in subparagraph (E), each  
17          employing agency having any employees or Members sub-  
18          ject to subparagraph (A) shall contribute from amounts  
19          available for salaries and expenses an amount equal to the  
20          sum of—

21           “(i) the product of—

22           “(I) the normal cost percentage, as deter-  
23           mined for employees (other than employees cov-  
24           ered by clause (ii)), multiplied by

1           “(II) the aggregate amount of basic pay  
2 payable by the agency, for the period involved,  
3 to employees (under subclause (I)) who are  
4 within such agency; and

5           “(ii) the product of—

6           “(I) the normal cost percentage, as deter-  
7 mined for Members, Congressional employees,  
8 law enforcement officers, firefighters, air traffic  
9 controllers, bankruptcy judges, Court of Fed-  
10 eral Claims judges, United States magistrates,  
11 judges of the United States Court of Appeals  
12 for the Armed Forces, members of the Capitol  
13 Police, nuclear materials couriers, and members  
14 of the Supreme Court Police, multiplied by

15           “(II) the aggregate amount of basic pay  
16 payable by the agency for the period involved,  
17 to employees and Members (under subclause  
18 (I)) who are within such agency.

19           “(C) In determining the normal cost percentage to  
20 be applied under subparagraph (B), amounts provided for  
21 under subparagraph (A) shall be taken into account.

22           “(D) Contributions under this paragraph shall be  
23 paid—

24           “(i) in the case of law enforcement officers,  
25 firefighters, air traffic controllers, bankruptcy



1 judges, Court of Federal Claims judges, United  
2 States magistrates, judges of the United States  
3 Court of Appeals for the Armed Forces, members of  
4 the Supreme Court Police, nuclear materials couriers  
5 and other employees, from the appropriations or  
6 fund used to pay such law enforcement officers, fire-  
7 fighters, air traffic controllers, bankruptcy judges,  
8 Court of Federal Claims judges, United States mag-  
9 istrates, judges of the United States Court of Ap-  
10 peals for the Armed Forces, members of the Su-  
11 preme Court Police, nuclear materials couriers and  
12 other employees, respectively;

13 “(ii) in the case of elected officials, from an ap-  
14 propriation or fund available for payment of other  
15 salaries of the same office or establishment; and

16 “(iii) in the case of employees of the legislative  
17 branch paid by the Clerk of the House of Represent-  
18 atives, from the contingent fund of the House.

19 “(E) In the case of the United States Postal Service,  
20 the Metropolitan Washington Airports Authority, and the  
21 government of the District of Columbia, an amount equal  
22 to that withheld under subparagraph (A) shall be contrib-  
23 uted from the appropriation or fund used to pay the em-  
24 ployee.”; and

25 (B) in subsection (k)—

1 (i) in paragraph (1)—  
2 (I) in subparagraph (A) by strik-  
3 ing “the first sentence of subsection  
4 (a)(1) of this section” and inserting  
5 “subsection (a)(1)(A)”; and  
6 (II) by amending subparagraph  
7 (B) to read as follows:  
8 “(B) the amount of the contribution under sub-  
9 section (a)(1)(B) shall be the amount which would  
10 have been contributed under such subsection if this  
11 subsection had not been enacted.”; and  
12 (ii) in paragraph (2)(C)(iii) by strik-  
13 ing “the first sentence of subsection  
14 (a)(1)” and inserting “subsection  
15 (a)(1)(A)”; and  
16 (3) in section 8348—  
17 (A) by repealing subsection (f);  
18 (B) by amending subsection (g) to read as  
19 follows:  
20 “(g)(1)(A) Not later than June 30, 2005, the Office  
21 of the Actuary shall determine the unfunded liability of  
22 the Fund, as of September 30, 2004, attributable to bene-  
23 fits payable under this chapter and make recommenda-  
24 tions regarding its liquidation. After considering such rec-  
25 ommendations, the Office shall establish an amortization

1 schedule, including a series of annual installments com-  
2 mencing October 1, 2005, which provides for the liquida-  
3 tion of such liability by October 1, 2044.

4 “(B) The Office shall redetermine the unfunded li-  
5 ability of the Fund as of the close of the fiscal year, for  
6 each fiscal year beginning after September 30, 2004,  
7 through the fiscal year ending September 30, 2039, and  
8 shall establish a new amortization schedule, including a  
9 series of annual installments commencing on October 1  
10 of the second subsequent fiscal year, which provides for  
11 the liquidation of such liability by October 1, 2044.

12 “(C) The Office shall redetermine the unfunded li-  
13 ability of the Fund as of the close of the fiscal year for  
14 each fiscal year beginning after September 30, 2039, and  
15 shall establish a new amortization schedule, including a  
16 series of annual installments commencing on October 1  
17 of the second subsequent fiscal year, which provides for  
18 the liquidation of such liability over five years.

19 “(D) Amortization schedules established under this  
20 paragraph shall be set in accordance with generally accept-  
21 ed actuarial practices and principles, with interest com-  
22 puted at the rate used in the most recent valuation of the  
23 Civil Service Retirement System.

24 “(2) At the beginning of each fiscal year, beginning  
25 on October 1, 2005, the Office shall notify the Secretary

1 of the Treasury of the amount of the first installment  
2 under the most recent amortization schedule established  
3 under paragraph (1). The Secretary shall credit that  
4 amount to the Fund, as a Government contribution, out  
5 of any money in the Treasury of the United States not  
6 otherwise appropriated.

7 “(3) For the purpose of carrying out paragraph (1)  
8 with respect to any fiscal year, the Office may—

9 “(A) require the Board of Actuaries of the Civil  
10 Service Retirement System to make actuarial deter-  
11 minations and valuations, make recommendations,  
12 and maintain records in accordance with section  
13 8347(f); and

14 “(B) use the latest actuarial determinations  
15 and valuations made by such Board of Actuaries.”;

16 (C) in subsections (h), (i), and (m) by  
17 striking “unfunded” and inserting “accrued”  
18 each place it appears; and

19 (D) by adding at the end the following new  
20 subsection:

21 “(n) Under regulations prescribed by the Office, the  
22 head of an agency may request reconsideration of any  
23 amount determined to be payable with respect to such  
24 agency under section 8334(a)(1)(B)–(D). Any such re-  
25 quest shall be referred to the Board of Actuaries of the

1 Civil Service Retirement System. The Board of Actuaries  
2 shall review the computations of the Office and may make  
3 any adjustment with respect to any such amount which  
4 the Board determines appropriate. A determination by the  
5 Board of Actuaries under this subsection shall be final.”.

6 (b) GOVERNMENT CONTRIBUTIONS—Section 8423  
7 of title 5, United States Code, is amended—

8 (1) in subsection (a)(2) by striking “section  
9 8422” and inserting “section 8422(a)”; and

10 (2) in subsection (b)(2) by striking “equal an-  
11 nual installments” and inserting “annual install-  
12 ments set in accordance with generally accepted ac-  
13 tuarial practices and principles”.

14 **SEC. 402. CENTRAL INTELLIGENCE AGENCY RETIREMENT**  
15 **AND DISABILITY SYSTEM.**

16 (a) Section 101 of the Central Intelligence Agency  
17 Retirement Act (50 U.S.C. 2001) is amended—

18 (1) in paragraph (5), to read as follows:

19 “(5) UNFUNDED LIABILITY.—The term ‘un-  
20 funded liability’ means the estimated excess of—

21 “(A) the actuarial present value of all fu-  
22 ture benefits payable from the Fund under title  
23 II of this Act based on the service of current  
24 or former participants, over

25 “(B) the sum of—

1           “(i) the actuarial present value of de-  
2           ductions to be withheld from the future  
3           basic pay of participants currently subject  
4           to title II of this Act pursuant to section  
5           211;

6           “(ii) the actuarial present value of the  
7           future contributions to be made pursuant  
8           to section 211 with respect to participants  
9           currently subject to title II of this Act;

10          “(iii) the Fund balance, as defined in  
11          paragraph (4), as of the date the unfunded  
12          liability is determined; and

13          “(iv) any other appropriate amount,  
14          as determined by the Director in accord-  
15          ance with generally accepted actuarial  
16          practices and principles.”;

17          (2) in paragraph (6)—

18                (A) by striking “‘normal cost’” and in-  
19                serting “‘normal cost percentage’”; and

20                (B) by inserting “and standards (using dy-  
21                namic assumptions)” after “practice”; and

22          (3) by adding at the end the following para-  
23          graph:

24                “(10) DYNAMIC ASSUMPTIONS.—The term ‘dy-  
25                namic assumptions’ means economic assumptions

1 that are used in determining actuarial costs and li-  
2 abilities of a retirement system and in anticipating  
3 the effects of long-term future—

4 “(A) investment yields;

5 “(B) increases in rates of basic pay; and

6 “(C) rates of price inflation.”.

7 (b) Section 202 of such Act (50 U.S.C. 2012) is  
8 amended by adding at the end the following: “The Fund  
9 is appropriated for the payment of benefits as provided  
10 by this title.”.

11 (c) Section 211(a)(2) of such Act (50 U.S.C.  
12 2021(a)(2)) is amended to read as follows:

13 “(2) AGENCY CONTRIBUTIONS—The Agency  
14 shall contribute to the Fund the amount computed  
15 in a manner similar to that used under section  
16 8334(a) of title 5, United States Code, pursuant to  
17 determinations of the normal cost percentage of the  
18 Central Intelligence Agency Retirement and Dis-  
19 ability System by the Director. Contributions under  
20 this paragraph shall be paid from amounts available  
21 for salaries and expenses.”.

22 (d) Section 261 of such Act (50 U.S.C. 2091) is  
23 amended—

24 (1) by striking subsections (c), (d), and (e); and

1           (2) by inserting after subsection (b) the fol-  
2       lowing new subsections:

3       “(c)(1) Not later than June 30, 2005, the Director  
4       shall cause to be made actuarial valuations of the Fund  
5       that determine the unfunded liability of the Fund, as of  
6       September 30, 2004, attributable to benefits payable  
7       under this title and make recommendations regarding its  
8       liquidation. After considering such recommendations, the  
9       Director shall establish an amortization schedule, includ-  
10      ing a series of annual installments commencing October  
11      1, 2005, which provides for the liquidation of such liability  
12      by October 1, 2044.

13       “(2) The Director shall redetermine the unfunded li-  
14      ability of the Fund as of the close of the fiscal year, for  
15      each fiscal year beginning after September 30, 2004,  
16      through the fiscal year ending September 30, 2039, and  
17      shall establish a new amortization schedule, including a  
18      series of annual installments commencing on October 1  
19      of the second subsequent fiscal year, which provides for  
20      the liquidation of such liability by October 1, 2044.

21       “(3) The Director shall redetermine the unfunded li-  
22      ability of the Fund as of the close of the fiscal year for  
23      each fiscal year beginning after September 30, 2039, and  
24      shall establish a new amortization schedule, including a  
25      series of annual installments commencing on October 1



1 of the second subsequent fiscal year, which provides for  
2 the liquidation of such liability over five years.

3 “(4) Amortization schedules established under this  
4 subsection shall be set in accordance with generally accept-  
5 ed actuarial practices and principles, with interest com-  
6 puted at the rate used in the most recent valuation of the  
7 Civil Service Retirement and Disability System.

8 “(d) At the beginning of each fiscal year, beginning  
9 on October 1, 2005, the Director shall notify the Secretary  
10 of the Treasury of the amount of the first installment  
11 under the most recent amortization schedule established  
12 under subsection (c). The Secretary shall credit that  
13 amount to the Fund, as a Government contribution, out  
14 of any money in the Treasury of the United States not  
15 otherwise appropriated. For the purposes of Section 504  
16 of the National Security Act of 1947, this amount shall  
17 be considered authorized.”.

18 (e)(1) Title III of such Act (50 U.S.C. 2151 et seq.)  
19 is amended by adding at the end the following new section:  
20 **“SEC. 308. FULL FUNDING OF RETIREE COSTS FOR EM-**  
21 **PLOYEES DESIGNATED UNDER SECTION 302.**

22 “(a) In addition to other government contributions  
23 required by law, the Agency shall contribute to the Civil  
24 Service Retirement and Disability fund (hereinafter in this  
25 section referred to as the ‘Fund’) amounts calculated in

1 accordance with section 8423 of title 5, United States  
2 Code, based on the projected number of employees to be  
3 designated pursuant to section 302 of this Act. In addi-  
4 tion, the Agency, in a manner similar to that established  
5 for employee contributions to the Fund by section 8422  
6 of title 5, United States Code, will contribute an amount  
7 equal to the difference between that which would be con-  
8 tributed by the number of employees projected to be des-  
9 ignated under section 302 and the amounts that are actu-  
10 ally being deducted and contributed from the basic pay  
11 of an equal number of employees pursuant to section  
12 8422. The amounts of the Agency's contributions under  
13 this subsection shall be determined by the Director of the  
14 Office of Personnel Management, in consultation with the  
15 Director, and shall be paid by the Agency from funds  
16 available for salaries and expenses. Agency employees des-  
17 ignated pursuant to section 302 of this Act shall, com-  
18 mencing with such designation, have deducted from their  
19 basic pay the full amount required by section 8422 of title  
20 5, United States Code, and such deductions shall be con-  
21 tributed to the Fund.

22       “(b)(1) The Director of the Office of Personnel Man-  
23 agement, in consultation with the Director, shall deter-  
24 mine the total amount of unpaid contributions (govern-  
25 ment and employee contributions) and interest attrib-

1     utable to the number of individuals employed with the  
2     Agency on September 30, 2005, who are projected to be  
3     designated under section 302 of this Act, but are not yet  
4     designated under that section as of that date. The amount  
5     shall be referred to as the section 302 unfunded liability.

6         “(2) Not later than June 30, 2006, the Director of  
7     the Office of Personnel Management, in consultation with  
8     the Director, shall establish an amortization schedule, set-  
9     ting forth a series of annual installments commencing  
10    September 30, 2006, which provides for the liquidation of  
11    the section 302 unfunded liability by September 30, 2013.

12        “(3) At the end of each fiscal year, beginning on Sep-  
13    tember 30, 2006, the Director shall notify the Secretary  
14    of the Treasury of the amount of the annual installment  
15    under the amortization schedule established under para-  
16    graph (2) of this subsection. Before closing the accounts  
17    for that fiscal year, the Secretary shall credit that amount  
18    to the Fund, out of any money in the Treasury of the  
19    United States not otherwise appropriated.

20        “(c) Amounts paid by the Agency pursuant to this  
21    section are deemed to be specifically authorized by the  
22    Congress for the purposes of section 504 of the National  
23    Security Act of 1947.”.

1       (2) The table of contents of such Act is amended by  
2 inserting after the item relating to section 307 the fol-  
3 lowing new item:

“Sec. 308. Full funding of retiree costs for employees designated under section 302.”.

4       **SEC. 403. FOREIGN SERVICE RETIREMENT AND DISABILITY**  
5                               **SYSTEM.**

6       Chapter 8 of title I of the Foreign Service Act of  
7 1980, Public Law 96-465 (22 U.S.C. 4041 et seq.) 94  
8 Stat. 2071, as amended, is further amended—

9               (1) in section 804 (22 U.S.C. 4044)—

10                       (A) by amending paragraph (5) to read as  
11 follows:

12               “(5) ‘normal cost percentage’ means the entry-  
13 age normal cost computed in accordance with gen-  
14 erally accepted actuarial practice and standards  
15 (using dynamic assumptions) and expressed as a  
16 level percentage of aggregate basic pay;”;

17               (B) by amending paragraph (14) to read  
18 as follows:

19               “(14) ‘unfunded liability’ means the estimated  
20 excess of—

21                       “(A) the actuarial present value of all fu-  
22 ture benefits payable from the Fund under this  
23 part based on the service of current or former  
24 participants, over

1 “(B) the sum of—

2 “(i) the actuarial present value of de-  
3 ductions to be withheld from the future  
4 basic pay of participants currently subject  
5 to this part pursuant to section 805;

6 “(ii) the actuarial present value of the  
7 future contributions to be made pursuant  
8 to section 805 with respect to participants  
9 currently subject to this part;

10 “(iii) the Fund balance, as defined in  
11 paragraph (7), as of the date the unfunded  
12 liability is determined, excluding any  
13 amount attributable to the Foreign Service  
14 Pension System, or contributions made  
15 under the Federal Employees’ Retirement  
16 Contribution Temporary Adjustment Act  
17 of 1983 by or on behalf of any individual  
18 who became subject to the Foreign Service  
19 Pension System; and

20 “(iv) any other appropriate amount,  
21 as determined by the Secretary of the  
22 Treasury in accordance with generally ac-  
23 cepted actuarial practices and principles.”;  
24 and

1 (C)(i) by striking the period at the end of  
2 paragraph (15) and inserting “; and”; and

3 (ii) by adding at the end the following new  
4 paragraph:

5 “(16) ‘dynamic assumptions’ means economic  
6 assumptions that are used in determining actuarial  
7 costs and liabilities of a retirement system and in  
8 anticipating the effects of long-term future—

9 “(A) investment yields;

10 “(B) increases in rates of basic pay; and

11 “(C) rates of price inflation.”;

12 (2) in section 852 (22 U.S.C. 4071a)—

13 (A) in paragraph (4)—

14 (i) by striking “normal cost” and in-  
15 serting “normal cost percentage”; and

16 (ii) by striking “by the Secretary of  
17 State”;

18 (B) in paragraph (7)—

19 (i) by striking “supplemental” and in-  
20 serting “unfunded”;

21 (ii) in subparagraph (B)(i) by striking  
22 “(I)” and “and (II) contributions for past  
23 civilian and military service”; and

24 (iii) in subparagraph (B)(ii) by insert-  
25 ing before the semicolon “with respect to

1 participants currently subject to this part”;

2 and

3 (C)(i) at the end of paragraph (8) by strik-  
4 ing “and”;

5 (ii) at the end of paragraph (9) by striking  
6 the period and inserting “; and”; and

7 (iii) by adding at the end the following new  
8 paragraph:

9 “(10) ‘dynamic assumptions’ means economic  
10 assumptions that are used in determining actuarial  
11 costs and liabilities of a retirement system and in  
12 anticipating the effects of long-term future—

13 “(A) investment yields;

14 “(B) increases in rates of basic pay; and

15 “(C) rates of price inflation.”;

16 (3) in section 805(a)(1) (22 U.S.C.  
17 4045(a)(i))—

18 (A) by striking the second sentence;

19 (B) by redesignating that subsection, as so  
20 amended, as (a)(1)(A);

21 (C) by redesignating the last sentence of  
22 that subsection, as so amended as (a)(1)(C);

23 (D) by inserting after subparagraph (A)  
24 the following new subparagraph:

1           “(B) Each employing agency having par-  
2           ticipants shall contribute to the Fund the  
3           amount computed in a manner similar to that  
4           used under section 8334(a) of title 5, United  
5           States Code, pursuant to determinations of the  
6           normal cost percentage of the Foreign Service  
7           Retirement and Disability System. Contribu-  
8           tions under this subparagraph shall be paid  
9           from the appropriations or fund used for pay-  
10          ment of the salary of the participant.”;

11           (E) in subsection (a)(2)(A) by striking  
12          “An equal amount shall be contributed by the  
13          Department” and inserting in its place “Each  
14          employing agency having participants shall con-  
15          tribute to the Fund the amount computed in a  
16          manner similar to that used under section  
17          8334(a) of title 5, United States Code, pursu-  
18          ant to determinations of the normal cost per-  
19          centage of the Foreign Service Retirement and  
20          Disability System”; and

21           (F) in subsection (a)(2)(B) by striking  
22          “An equal amount shall be contributed by the  
23          Department” and inserting in its place “Each  
24          employing agency having participants shall con-  
25          tribute to the Fund from amounts available for



1 salaries and expenses the amount computed in  
2 a manner similar to that used under section  
3 8334(a) of title 5, United States Code, pursu-  
4 ant to determinations of the normal cost per-  
5 centage of the Foreign Service Retirement and  
6 Disability System”;

7 (4) by repealing sections 821 and 822 (22  
8 U.S.C. 4061 and 4062) and by adding the following  
9 new section:

10 “SEC. 821. UNFUNDED LIABILITY.—(a)(1) Not later  
11 than June 30, 2005, the Secretary of State shall cause  
12 to be made actuarial valuations of the Fund that deter-  
13 mine the unfunded liability of the Fund, as of September  
14 30, 2004, attributable to benefits payable under this sub-  
15 chapter and make recommendations regarding its liquida-  
16 tion. After considering such recommendations, the Sec-  
17 retary of State shall establish an amortization schedule,  
18 including a series of annual installments commencing Oc-  
19 tober 1, 2004, which provides for the liquidation of such  
20 liability by October 1, 2044.

21 “(2) The Secretary of State shall redetermine the un-  
22 funded liability of the Fund as of the close of the fiscal  
23 year, for each fiscal year beginning after September 30,  
24 2004, through the fiscal year ending September 30, 2039,  
25 and shall establish a new amortization schedule, including

1 a series of annual installments commencing on October 1  
2 of the second subsequent fiscal year, which provides for  
3 the liquidation of such liability by October 1, 2044.

4 “(3) The Secretary of State shall redetermine the un-  
5 funded liability of the Fund as of the close of the fiscal  
6 year for each fiscal year beginning after September 30,  
7 2039, and shall establish a new amortization schedule, in-  
8 cluding a series of annual installments commencing on Oc-  
9 tober 1 of the second subsequent fiscal year, which pro-  
10 vides for the liquidation of such liability over five years.

11 “(4) Amortization schedules established under this  
12 subsection shall be set in accordance with generally accept-  
13 ed actuarial practices and principles, with interest com-  
14 puted at the rate used in the most recent valuation of the  
15 Foreign Service Retirement and Disability System.

16 “(b) At the beginning of each fiscal year, beginning  
17 on October 1, 2005, the Secretary of State shall notify  
18 the Secretary of the Treasury of the amount of the first  
19 installment under the most recent amortization schedule  
20 established under paragraph (1). The Secretary of the  
21 Treasury shall credit that amount to the Fund, as a Gov-  
22 ernment contribution, out of any money in the Treasury  
23 of the United States not otherwise appropriated.”;

24 (5) in section 857(b)(1) (22 U.S.C.  
25 4071f(b)(1)) by striking “equal annual installments”

1 and inserting “annual installments set in accordance  
2 with generally accepted actuarial practices and prin-  
3 ciples”;

4 (6) in section 859 (22 U.S.C. 4071h) by adding  
5 “percentage” after “normal cost”;

6 (7) in section 802 (22 U.S.C. 4042) by adding  
7 at the end the following: “The Fund is appropriated  
8 for the payment of benefits as provided by this sub-  
9 chapter.”; and

10 (8) in section 818 (22 U.S.C. 4058) by striking  
11 “System” and inserting “Systems under this sub-  
12 chapter”.

13 **SEC. 404. PUBLIC HEALTH SERVICE COMMISSIONED CORPS**

14 **RETIREMENT SYSTEM.**

15 (a) IN GENERAL.—Title II of the Public Health Serv-  
16 ice Act (42 U.S.C. 202 et seq.) is amended by adding at  
17 the end the following new part:

18 **“PART C—PUBLIC HEALTH SERVICE**

19 **COMMISSIONED CORPS RETIREMENT SYSTEM**

20 **“ESTABLISHMENT AND PURPOSE OF FUND**

21 **“SEC. 251.** There is established on the books of the  
22 Treasury a fund to be known as the Public Health Service  
23 Commissioned Corps Retirement Fund (hereinafter in this  
24 part referred to as the ‘Fund’), which shall be adminis-  
25 tered by the Secretary. The Fund shall be used for the

1 accumulation of funds in order to finance on an actuarially  
2 sound basis liabilities of the Department of Health and  
3 Human Services for benefits payable on account of retire-  
4 ment, disability, or death to commissioned officers of the  
5 Public Health Service and to their survivors pursuant to  
6 part A of this title.

7 "ASSETS OF THE FUND

8 "SEC. 252. There shall be deposited into the Fund  
9 the following, which shall constitute the assets of the  
10 Fund:

11 "(1) Amounts paid into the Fund under section  
12 255.

13 "(2) Any return on investment of the assets of  
14 the Fund.

15 "(3) Amounts transferred into the Fund pursu-  
16 ant to section 404(c) of the Deficit Control Act of  
17 2004.

18 "PAYMENT FROM THE FUND

19 "SEC. 253. There shall be paid from the Fund bene-  
20 fits payable on account of retirement, disability, or death  
21 to commissioned officers of the Public Health Service and  
22 to their survivors pursuant to part A of this title.

23 "DETERMINATION OF CONTRIBUTIONS TO THE FUND

24 "SEC. 254. (a)(1) Not later than June 30, 2005, the  
25 Secretary shall determine the unfunded liability of the  
26 Fund attributable to service performed as of September

1 30, 2004, which is 'active service' for the purpose of sec-  
2 tion 212. The Secretary shall establish an amortization  
3 schedule, including a series of annual installments com-  
4 mencing October 1, 2005, which provides for the liquida-  
5 tion of such liability by October 1, 2044.

6 “(2) The Secretary shall redetermine the unfunded  
7 liability of the Fund as of the close of the fiscal year, for  
8 each fiscal year beginning after September 30, 2004,  
9 through the fiscal year ending September 30, 2039, and  
10 shall establish a new amortization schedule, including a  
11 series of annual installments commencing on October 1  
12 of the second subsequent fiscal year, which provides for  
13 the liquidation of such liability by October 1, 2044.

14 “(3) The Secretary shall redetermine the unfunded  
15 liability of the Fund as of the close of the fiscal year for  
16 each fiscal year beginning after September 30, 2039, and  
17 shall establish a new amortization schedule, including a  
18 series of annual installments commencing on October 1  
19 of the second subsequent fiscal year, which provides for  
20 the liquidation of such liability over 5 years.

21 “(b) The Secretary shall determine each fiscal year,  
22 in sufficient time for inclusion in the budget request for  
23 the following fiscal year, the total amount of Department  
24 of Health and Human Services contributions to be made

1 to the Fund during the fiscal year under section 255(a).

2 That amount shall be the sum of—

3 “(1) the product of—

4 “(A) the current estimate of the value of  
5 the single level percentage of basic pay to be de-  
6 termined under subsection (c)(1) at the time of  
7 the most recent actuarial valuation under sub-  
8 section (c); and

9 “(B) the total amount of basic pay ex-  
10 pected to be paid during that fiscal year to  
11 commissioned officers of the Public Health  
12 Service on active duty (other than active duty  
13 for training); and

14 “(2) the product of—

15 “(A) the current estimate of the value of  
16 the single level percentage of basic pay and of  
17 compensation (paid pursuant to section 206 of  
18 title 37, United States Code) to be determined  
19 under subsection (c)(2) at the time of the most  
20 recent actuarial valuation under subsection (c);  
21 and

22 “(B) the total amount of basic pay and of  
23 compensation (paid pursuant to section 206 of  
24 title 37, United States Code) expected to be  
25 paid during the fiscal year to commissioned of-

1           ficers of the Reserve Corps of the Public Health  
2           Service (other than officers on full-time duty  
3           other than for training) who are not otherwise  
4           described in subparagraph (A).

5           “(c) Not less often than every four years thereafter  
6 (or by the fiscal year end prior to the effective date of  
7 any statutory change affecting benefits payable on account  
8 of retirement, disability, or death to commissioned officers  
9 or their survivors), the Secretary shall carry out an actu-  
10 arial valuation of benefits payable on account of retire-  
11 ment, disability, or death to commissioned officers of the  
12 Public Health Service and to their survivors pursuant to  
13 part A of this title. Each such actuarial valuation shall  
14 be signed by an enrolled Actuary and shall include—

15           “(1) a determination (using the aggregate  
16 entry-age normal cost method) of a single level per-  
17 centage of basic pay for commissioned officers of the  
18 Public Health Service on active duty (other than ac-  
19 tive duty for training); and

20           “(2) a determination (using the aggregate  
21 entry-age normal cost method) of a single level per-  
22 centage of basic pay and of compensation (paid pur-  
23 suant to section 206 of title 37, United States Code)  
24 of commissioned officers of the Reserve Corps of the  
25 Public Health Service (other than officers on full

1 time duty other than for training) who are not oth-  
2 erwise described in paragraph (1).

3 “(d) All determinations under this section shall be in  
4 accordance with generally accepted actuarial principles  
5 and practices and, where appropriate, shall follow the gen-  
6 eral pattern of methods and assumptions approved by the  
7 Department of Defense Retirement Board of Actuaries.

8 “(e) The Secretary shall provide for the keeping of  
9 such records as are necessary for determining the actu-  
10 arial status of the Fund.

11 “PAYMENTS INTO THE FUND

12 “SEC. 255. (a) From amounts available to the De-  
13 partment of Health and Human Services for salaries and  
14 expenses, the Secretary shall pay into the Fund at the end  
15 of each month the amount that is the sum of—

16 “(1) the product of—

17 “(A) the level percentage of basic pay de-  
18 termined using all the methods and assump-  
19 tions approved for the most recent (as of the  
20 first day of the current fiscal year) actuarial  
21 valuation under sections 254(c)(1) (except that  
22 any statutory change affecting benefits payable  
23 on account of retirement, disability, or death to  
24 commissioned officers or their survivors that is  
25 effective after the date of that valuation and on



1 or before the first day of the current fiscal year  
2 shall be used in such determination); and

3 “(B) the total amount of basic pay accrued  
4 for that month by commissioned officers of the  
5 Public Health Service on active duty (other  
6 than active duty for training); and

7 “(2) the product of—

8 “(A) the level percentage of basic pay and  
9 of compensation (paid pursuant to section 206  
10 of title 37, United States Code) determined  
11 using all the methods and assumptions ap-  
12 proved for the most recent (as of the first day  
13 of the current fiscal year) actuarial valuation  
14 under section 254(c)(2) (except that any statu-  
15 tory change affecting benefits payable on ac-  
16 count of retirement, disability, or death to com-  
17 missioned officers or their survivors that is ef-  
18 fective after the date of that valuation and on  
19 or before the first day of the current fiscal year  
20 shall be used in such determinations); and

21 “(B) the total amount of basic pay and of  
22 compensation (paid pursuant to section 206 of  
23 title 37, United States Code) accrued for that  
24 month by commissioned officers of the Reserve  
25 Corps of the Public Health Service (other than

1 officers on full-time duty other than for train-  
2 ing).

3 “(b) At the beginning of each fiscal year, beginning  
4 on October 1, 2005, the Secretary shall certify to the Sec-  
5 retary of the Treasury the amount of the first installment  
6 under the most recent amortization schedule established  
7 under section 254(a). The Secretary of the Treasury shall  
8 pay into the Fund from the General Fund of the Treasury  
9 the amount so certified. Such payment shall be the con-  
10 tribution to the Fund for that fiscal year.

11 “INVESTMENTS OF ASSETS OF FUND

12 “SEC. 256. The Secretary may request the Secretary  
13 of the Treasury to invest such portion of the Fund as is  
14 not, in the judgment of the Secretary, required to meet  
15 the current needs of the Fund. Such investments shall be  
16 made by the Secretary of the Treasury in public debt secu-  
17 rities with maturities suitable to the needs of the Fund,  
18 as determined by the Secretary, and bearing interest at  
19 rates determined by the Secretary of the Treasury, taking  
20 into consideration current market yields on outstanding  
21 marketable obligations of the United States of comparable  
22 maturities. The income on such investments shall be cred-  
23 ited to and form a part of the Fund.

24 “IMPLEMENTATION YEAR EXCEPTIONS

25 “SEC. 257. (a) To avoid funding shortfalls in the first  
26 year should formal actuarial determinations not be avail-

1 able in time for budget preparation, the amounts used in  
2 the first year in sections 255(a)(1)(A) and 255(a)(2)(A)  
3 shall be set equal to those estimates in sections  
4 254(b)(1)(A) and 254(b)(2)(A) if final determinations are  
5 not available. The original unfunded liability as defined  
6 in section 254(a) shall include an adjustment to correct  
7 for this difference between the formal actuarial determina-  
8 tions and the estimates in sections 254(b)(1)(A) and  
9 254(b)(2)(A).”.

10 (b) CONFORMING AMENDMENTS—

11 (1) CONDITION OF DETAIL.—Section 214 of the  
12 Public Health Service Act (42 U.S.C. 215) is  
13 amended by adding at the end the following new  
14 subsection:

15 “(e) The Secretary shall condition any detail under  
16 subsection (a), (b), or (c) upon the agreement of the exec-  
17 utive department, State, subdivision, Committee of the  
18 Congress, or institution concerned to pay to the Depart-  
19 ment of Health and Human Services, in advance or by  
20 way of reimbursement, for the full cost of the detail in-  
21 cluding that portion of the contributions under section  
22 255(a) that is attributable to the detailed personnel.”.

23 (2) EXEMPTION FROM SEQUESTRATION.—Sec-  
24 tion 255(g)(1) of the Balanced Budget and Emer-

1       gency Deficit Control Act of 1985 (2 U.S.C.  
2       905(g)(1)) is amended—

3               (A) in subparagraph (A), by inserting after  
4       the item relating to “payment to the foreign  
5       service retirement and disability fund” the fol-  
6       lowing item: “Payment to the Public Health  
7       Service Commissioned Corps Retirement Fund  
8       (75-0380-0-1-551);”; and

9               (B) in subparagraph (B), by inserting  
10       after the item relating to the “Pensions for  
11       former Presidents” the following item: “Public  
12       Health Service Commissioned Corps Retirement  
13       Fund (75-8274-0-7-602);”.

14       (c) TRANSFER OF APPROPRIATIONS.—There shall be  
15       transferred on October 1, 2006, into the fund established  
16       under section 251 of the Public Health Service Act, as  
17       added by subsection (a), any obligated or unobligated bal-  
18       ances of appropriations made to the Department of Health  
19       and Human Services that are currently available for bene-  
20       fits payable on account of retirement, disability, or death  
21       to commissioned officers of the Public Health Service and  
22       to their survivors pursuant to part A of title II of the Pub-  
23       lic Health Service Act, and amounts so transferred shall  
24       be part of the assets of the Fund.

1   **SEC. 405. NATIONAL OCEANIC AND ATMOSPHERIC ADMIN-**  
2                   **ISTRATION COMMISSIONED OFFICER CORPS**  
3                   **RETIREMENT SYSTEM.**

4       (a) IN GENERAL.—The National Oceanic and Atmos-  
5   pheric Administration Commissioned Officer Corps Act of  
6   2002 (title II of Public Law 107–372) is amended by in-  
7   serting after section 246 (33 U.S.C. 3046) the following  
8   new section:

9       “SEC. 246A. (a) ESTABLISHMENT AND PURPOSE OF  
10   NOAA COMMISSIONED OFFICER CORPS RETIREMENT  
11   FUND.—(1) There is established on the books of the  
12   Treasury a fund to be known as the National Oceanic and  
13   Atmospheric Administration Commissioned Officer Corps  
14   Retirement Fund (hereinafter in this section referred to  
15   as the ‘Fund’), which shall be administered by the Sec-  
16   retary. The Fund shall be used for the accumulation of  
17   funds in order to finance on an actuarially sound basis  
18   liabilities of the Department of Commerce under military  
19   retirement and survivor benefit programs for the commis-  
20   sioned officers corps.

21       “(2) The term ‘military retirement and survivor ben-  
22   efit program’ means—

23               “(A) the provisions of this title and title 10,  
24       United States Code, creating entitlement to, or de-  
25       termining, the amount of retired pay;

1           “(B) the programs under the jurisdiction of the  
2     Department of Defense providing annuities for sur-  
3     vivors and members and former members of the  
4     Armed Forces, including chapter 73 of title 10, sec-  
5     tion 4 of Public Law 92-425, and section 5 of Pub-  
6     lic Law 96-202, as made applicable to the commis-  
7     sioned officer corps by section 261.

8           “(b) ASSETS OF THE FUND.—There shall be depos-  
9     ited into the Fund the following, which shall constitute  
10    the assets of the Fund:

11           “(1) Amounts paid into the Fund under sub-  
12    section (e).

13           “(2) Any return on investment of the assets of  
14    the Fund.

15           “(3) Amounts transferred into the Fund pursu-  
16    ant to section 405(c) of the Deficit Control Act of  
17    2004.

18           “(c) PAYMENTS FROM THE FUND.—There shall be  
19    paid from the Fund benefits payable on account of mili-  
20    tary retirement and survivor benefit programs to commis-  
21    sioned officers of the commissioned officer corps and their  
22    survivors.

23           “(d) DETERMINATION OF CONTRIBUTIONS TO THE  
24    FUND.—(1)(A) Not later than June 30, 2004, the Sec-  
25    retary shall determine the unfunded liability of the Fund

1 attributable to service performed as of September 30,  
2 2004, which is 'active service' for the purpose of this title.  
3 The Secretary shall establish an amortization schedule, in-  
4 cluding a series of annual installments commencing Octo-  
5 ber 1, 2005, which provides for the liquidation of such  
6 liability by October 1, 2044.

7       “(B) The Secretary shall redetermine the unfunded  
8 liability of the Fund as of the close of the fiscal year, for  
9 each fiscal year beginning after September 30, 2004,  
10 through the fiscal year ending September 30, 2039, and  
11 shall establish a new amortization schedule, including a  
12 series of annual installments commencing on September  
13 30 of the subsequent fiscal year, which provides for the  
14 liquidation of such liability by October 1, 2044.

15       “(C) The Secretary shall redetermine the unfunded  
16 liability of the Fund as of the close of the fiscal year for  
17 each fiscal year beginning after September 30, 2039, and  
18 shall establish a new authorization schedule, including se-  
19 ries of annual installments commencing on October 1 of  
20 the second subsequent fiscal year, which provides for the  
21 liquidation of such liability over 5 years.

22       “(2) The Secretary shall determine each fiscal year,  
23 in sufficient time for inclusion in the budget request for  
24 the following fiscal year, the total amount of Department  
25 of Commerce contributions to be made to the Fund during

1 that fiscal year under (e). The amount shall be the product  
2 of—

3 “(A) the current estimate of the value of the  
4 single level percentage of basic pay to be determined  
5 under subsection (e) at the time of the most recent  
6 actuarial valuation under paragraph (3); and

7 “(B) the total amount of basic pay expected to  
8 be paid during that fiscal year to commissioned offi-  
9 cers of NOAA on active duty.

10 “(3) Not less often than every four years (or by the  
11 fiscal year end before the effective date of any statutory  
12 change affecting benefits payable on account of retire-  
13 ment, disability, or death to commissioned officers or their  
14 survivors), the Secretary shall carry out an actuarial valu-  
15 ation of benefits payable on account of military retirement  
16 and survivor benefit programs to commissioned officers of  
17 the Administration and to their survivors. Each such actu-  
18 arial valuation shall be signed by an enrolled Actuary and  
19 shall include a determination (using the aggregate entry-  
20 age normal cost method) of a single level percentage of  
21 basic pay for commissioned officers on active duty.

22 “(4) All determinations under this section shall be in  
23 accordance with generally accepted actuarial principles  
24 and practices, and, where appropriate, shall follow the  
25 general pattern of methods and assumptions approved by



1 the Department of Defense Retirement Board of Actu-  
2 aries.

3 “(5) The Secretary shall provide for the keeping of  
4 such records as are necessary for determining the actu-  
5 arial status of the Fund.

6 “(e) PAYMENTS INTO THE FUND.—(1) From  
7 amounts appropriated to the National Oceanic Atmos-  
8 pheric Administration for salaries and expenses, the Sec-  
9 retary shall pay into the Fund at the end of each month  
10 the amount that is the product of—

11 “(A) the level percentage of basic pay deter-  
12 mined using all the methods and assumptions ap-  
13 proved for the most recent (as of the first day of the  
14 current fiscal year) actuarial valuation under sub-  
15 section (d) (except that any statutory change affect-  
16 ing benefits payable on account of military retire-  
17 ment and survivor benefit programs to commissioned  
18 officers of the Administration and to their survivors  
19 that is effective date after the date of that valuation  
20 and on or before the first day of the current fiscal  
21 year shall be used in such determination); and

22 “(B) the total amount of basic pay accrued for  
23 that month by commissioned officers on active duty.

24 “(2)(A) At the beginning of each fiscal year, the Sec-  
25 retary shall determine the sum of—

1           “(i) the amount of the payment for that year  
2           under the amortization of the original unfunded li-  
3           ability of the Fund;

4           “(ii) the amount (including any negative  
5           amount) for that year under the most recent amorti-  
6           zation schedule determined by the Secretary for the  
7           amortization of any cumulative actuarial gain or loss  
8           to the Fund, resulting from changes in benefits; and

9           “(iii) the amount (including any negative  
10          amount) for that year under the most recent amorti-  
11          zation schedule determined by the Secretary for the  
12          amortization or any cumulative actuarial gain or loss  
13          to the Fund resulting from changes in actuarial as-  
14          sumptions and from experience different from the  
15          assumed since the last valuation.

16       The Secretary shall promptly certify the amount of the  
17       sum to the Secretary of the Treasury.

18       “(B) Upon receiving the certification pursuant to  
19       paragraph (1), the Secretary of the Treasury shall  
20       promptly pay into the Fund from the General Fund of  
21       the Treasury the amount so certified. Such payment shall  
22       be the contribution to the Fund for that fiscal year.

23       “(f) INVESTMENT OF ASSETS OF THE FUND.—The  
24       Secretary may request the Secretary of the Treasury to  
25       invest such portion of the Fund as is not, in the judgment

1 of the Secretary, required to meet the current needs of  
2 the Fund. Such investments shall be made by the Sec-  
3 retary of the Treasury in public debt securities with matu-  
4 rities suitable to the needs of the Fund, as determined  
5 by the Secretary, and bearing interest at rates determined  
6 by the Secretary of the Treasury, taking into consideration  
7 current market yields on outstanding marketable obliga-  
8 tions of the United States of comparable maturities. The  
9 income of such investments shall be credited to and form  
10 a part of the Fund.

11 “(g) IMPLEMENTATION YEAR EXCEPTIONS.—(1) To  
12 avoid funding shortfalls in the first year should formal ac-  
13 tual determinations not be available in time for budget  
14 preparation, the amounts used in the first year in sub-  
15 section (e)(1)(A) shall be set equal to the estimate in sub-  
16 section (d)(2)(A) if final determinations are not available.  
17 The original unfunded liability as determined in sub-  
18 section (d)(1) shall include an adjustment to correct for  
19 this difference between the formal actuarial determina-  
20 tions and the estimates in subsection (d)(2)(A).”.

21 (b) EXEMPTION FROM SEQUESTRATION.—Section  
22 255(g)(1)(B) of the Balanced Budget and Emergency  
23 Deficit Control Act of 1985 (2 U.S.C. 905(g)(1)(B)) is  
24 amended by striking “National Oceanic and Atmospheric  
25 Administration retirement (13–1450–0–1–306);” and in-

1 serting "National Oceanic and Atmospheric Administra-  
2 tion Commissioned Officer Corps Retirement Fund;"

3 (c) TRANSFER OF APPROPRIATIONS.—There shall be  
4 transferred on October 1, 2006, into the fund established  
5 under section 246A(a) of the National Oceanic and At-  
6 mospheric Administration Commissioned Officer Corps  
7 Act of 2002 (title II of Public Law 107–372, as added  
8 by subsection (a)), any obligated and unobligated balance  
9 of appropriations made to the Department of Commerce  
10 that are available as of the date of the enactment of this  
11 Act for benefits payable on account of military retirement  
12 and survivor benefit programs to commissioned officers of  
13 the NOAA Commissioned Officer Corps and to their sur-  
14 vivors, and amounts so transferred shall be part of the  
15 assets of the Fund, effective October 1, 2006.

16 (d) EFFECTIVE DATE.—Subsection (c) (relating to  
17 payments from the Fund) and (e) (relating to payments  
18 into the Fund) of section 246A of the National Oceanic  
19 and Atmospheric Administration Commissioned Officer  
20 Corps Act of 2002 (title II of Public Law 107–372, as  
21 added by subsection (a)), shall take effect on October 1,  
22 2006.

23 **SEC. 406. COAST GUARD MILITARY RETIREMENT SYSTEM.**

24 (a) ACCRUAL FUNDING FOR COAST GUARD RETIRE-  
25 MENT.—

1 (1) IN GENERAL.—Chapter 11 of title 14,  
2 United States Code, is amended by adding at the  
3 end the following new subchapter:

4 “SUBCHAPTER V—COAST GUARD MILITARY  
5 RETIREMENT FUND

6 “§ 441. Establishment and purpose of Fund; defini-  
7 tions

8 “(a) ESTABLISHMENT OF FUND; PURPOSE.—There  
9 is established on the books of the Treasury a fund to be  
10 known as the Coast Guard Military Retirement Fund  
11 (hereinafter in this subchapter referred to as the ‘Fund’),  
12 which shall be administered by the Secretary. The Fund  
13 shall be used for the accumulations of funds in order to  
14 finance on an actuarially sound basis liabilities of the  
15 Coast Guard under military retirement and survivor ben-  
16 efit programs.

17 “(b) MILITARY RETIREMENT AND SURVIVOR BEN-  
18 EFIT PROGRAMS DEFINED.—In this subchapter, the term  
19 ‘military retirement and survivor benefit programs’  
20 means—

21 “(1) the provisions of this title and title 10 cre-  
22 ating entitlement to, or determining the amount of,  
23 retired pay;

24 “(2) the programs providing annuities for sur-  
25 vivors of members and former members of the

1 armed forces, including chapter 73 of title 10, sec-  
2 tion 4 of Public Law 92-425, and section 5 of Pub-  
3 lic Law 96-402; and

4 “(3) the authority provided in section 1048(h)  
5 of title 10.

6 “(c) SECRETARY DEFINED.—In this subchapter, the  
7 term ‘Secretary’ means the Secretary of Homeland Secu-  
8 rity when the Coast Guard is not operating as a service  
9 in the Navy and the Secretary of Defense when the Coast  
10 Guard is operating as a service in the Navy.

11 **“§ 442. Assets of the Fund**

12 “There shall be deposited into the Fund the fol-  
13 lowing, which shall constitute the assets of the Fund:

14 “(1) Amounts paid into the Fund under section  
15 445 of this title.

16 “(2) Any return on investment of the assets of  
17 the Fund.

18 “(3) Amounts transferred into the Fund pursu-  
19 ant to section 406(d) of the Deficit Control Act of  
20 2004.

21 **“§ 443. Payments from the Fund**

22 “(a) IN GENERAL.—There shall be paid from the  
23 Fund the following:

24 “(1) Retired pay payable to persons on the re-  
25 tired list of the Coast Guard.

1           “(2) Retired pay payable under chapter 1223 of  
2           title 10 to former members of the Coast Guard and  
3           the former United States Lighthouse Service.

4           “(3) Benefits payable under programs that pro-  
5           vide annuities for survivors of members and former  
6           members of the armed forces, including chapter 73  
7           of title 10, section 4 of Public Law 92-425, and sec-  
8           tion 5 of Public Law 96-402.

9           “(4) Amounts payable under section 1048(h) of  
10          title 10.

11          “(b) AVAILABILITY OF ASSETS OF THE FUND.—The  
12          assets of the Fund are hereby made available for payments  
13          under subsection (a).

14          **“§ 444. Determination of contributions to the Fund**

15          “(a) INITIAL UNFUNDED LIABILITY.—(1) Not later  
16          than June 30, 2005, the Secretary shall determine the un-  
17          funded liability of the Fund attributable to service per-  
18          formed as of September 30, 2004, which is ‘active service’  
19          for the purposes of section 212. The Secretary shall estab-  
20          lish an amortization schedule, including a series of annual  
21          installments commencing October 1, 2005, which provides  
22          for the liquidation of such liability by October 1, 2044.

23          “(2) The Secretary shall redetermine the unfunded  
24          liability of the Fund as of the close of the fiscal year, for  
25          each beginning after September 30, 2004, through the fis-

1 cal year ending September 30, 2039, and shall establish  
2 a new amortization schedule, including a series of annual  
3 installments commencing on October 1 of the second sub-  
4 sequent fiscal year, which provides for the liquidation of  
5 such liability by October 1, 2044.

6 “(3) The Secretary shall redetermine the unfunded  
7 liability of the Fund as of the close of the fiscal year for  
8 each fiscal year beginning after September 30, 2039, and  
9 shall establish a new amortization schedule, including a  
10 series of annual installments commencing on October 1  
11 of the second subsequent fiscal year, which provides for  
12 the liquidation of such liability over five years.

13 “(b) ANNUAL CONTRIBUTIONS FOR CURRENT SERV-  
14 ICES.—(1) The Secretary shall determine each fiscal year,  
15 in sufficient time for inclusion in the budget request for  
16 the following fiscal year, the total amount of Department  
17 of Homeland Security, or Department of Defense, con-  
18 tributions to be made to the Fund during that fiscal year  
19 under section 445(a) of this title. That amount shall be  
20 the sum of the following:

21 “(A) The product of—

22 “(i) the current estimate of the value of  
23 the single level percentage of basic pay to be de-  
24 termined under subsection (c)(1)(A) at the time



1 of the most recent actuarial valuation under  
2 subsection (c); and

3 “(ii) the total amount of basic pay ex-  
4 pected to be paid during that fiscal year to  
5 members of the Coast Guard on active duty  
6 (other than active duty for training).

7 “(B) The product of—

8 “(i) the current estimate of the value of  
9 the single level percentage of basic pay and of  
10 compensation (paid pursuant to section 206 of  
11 title 37) to be determined under subsection  
12 (c)(1)(B) at the time of the most recent actu-  
13 arial valuation under subsection (c); and

14 “(ii) the total amount of basic pay and  
15 compensation (paid pursuant to section 206 of  
16 title 37) expected to be paid during that fiscal  
17 year to members of the Coast Guard Ready Re-  
18 serve (other than members on full-time Reserve  
19 duty other than for training) who are not other-  
20 wise described in subparagraph (A)(ii).

21 “(2) The amount determined under paragraph (1) for  
22 any fiscal year is the amount needed to be appropriated  
23 to the Department of Homeland Security for that fiscal  
24 year for payments to be made to the Fund during that  
25 year under section 445(a) of this title. The President shall

1 include not less than the full amount so determined in the  
2 budget transmitted to Congress for that fiscal year under  
3 section 1105 of title 31. The President may comment and  
4 make recommendations concerning any such amount.

5 “(c) PERIODIC ACTUARIAL VALUATIONS.—(1) Not  
6 less often than every four years (or before the effective  
7 date of any statutory change affecting benefits payable on  
8 account of retirement, disability, or death to members of  
9 the Coast Guard or their survivors), the Secretary shall  
10 carry out an actuarial valuation of the Coast Guard mili-  
11 tary retirement and survivor benefit programs. Each actu-  
12 arial valuation of such programs shall be signed by an en-  
13 rolled actuary and shall include—

14 “(A) a determination (using the aggregate  
15 entry-age normal cost method) of a single level per-  
16 centage of basic pay for members of the Coast  
17 Guard on active duty (other than active duty for  
18 training); and

19 “(B) a determination (using the aggregate  
20 entry-age normal cost method) of single level per-  
21 centage of basic pay and of compensation (paid pur-  
22 suant to section 206 of title 37) for members of the  
23 Ready Reserve of the Coast Guard (other than mem-  
24 bers on full-time Reserve duty other than for train-

1 ing) who are not otherwise described in subpara-  
2 graph (A).

3 “(2) Such single level percentages shall be used for  
4 the purposes of subsection (b) and section 445(a) of this  
5 title.

6 “(d) USE OF GENERALLY ACCEPTED ACTUARIAL  
7 PRINCIPLES AND PRACTICES.—All determinations under  
8 this section shall be in accordance with generally accepted  
9 actuarial principles and practices and, where appropriate,  
10 shall follow the general pattern of methods and assump-  
11 tions approved by the Department of Defense Retirement  
12 Board of Actuaries.

13 “(e) RECORDS.—The Secretary shall provide for the  
14 keeping of such records as are necessary for determining  
15 the actuarial status of the Fund.

16 **“§ 445. Payments into the Fund**

17 “(a) MONTHLY ACCRUAL CHARGE FOR CURRENT  
18 SERVICES.—From amounts appropriated to the Coast  
19 Guard for salaries and expenses, the Secretary shall pay  
20 into the Fund at the end of each month as the Department  
21 of Homeland Security, or Department of Defense, con-  
22 tribution to the Fund for that month the amount that is  
23 the sum of the following:

24 “(1) The product of—

1           “(A) the level percentage of basic pay de-  
2           termined using all the methods and assump-  
3           tions approved for the most recent (as of the  
4           first day of the current fiscal year) actuarial  
5           valuation under section 444(c)(1)(A) of this  
6           title (except that any statutory change in the  
7           military retirement and survivor benefit systems  
8           that is effective after the date of that valuation  
9           and on or before the first day of the current fis-  
10          cal year shall be used in such determination);  
11          and

12           “(B) the total amount of basic pay accrued  
13           for that month by members of the Coast Guard  
14           on active duty (other than active duty for train-  
15           ing).

16          “(2) The product of—

17           “(A) the level percentage of basic pay and  
18           compensation (accrued pursuant to section 206  
19           of title 37) determined using all the methods  
20           and assumptions approved for the most recent  
21           (as of the first day of the current fiscal year)  
22           actuarial valuation under section 444(c)(1)(B)  
23           of this title (except that any statutory change  
24           in the military retirement and survivor benefit  
25           systems that is effective after the date of that

1 valuation and on or before the first day of the  
2 current fiscal year shall be used in such deter-  
3 mination); and

4 “(B) the total amount of basic pay and of  
5 compensation (paid pursuant to section 206 of  
6 title 37) accrued for that month by members of  
7 the Ready Reserve (other than members of full-  
8 time Reserve duty other than for training) who  
9 are not otherwise described in paragraph  
10 (1)(B).

11 “(b) ANNUAL PAYMENT FOR UNFUNDED LIABIL-  
12 ITIES.—(1) At the beginning of each fiscal year, beginning  
13 on October 1, 2005, the Secretary shall certify to the Sec-  
14 retary of the Treasury the amount of the first installment  
15 under the most recent amortization schedule established  
16 under section 254(a). The Secretary of the Treasury shall  
17 promptly pay into the Fund from the General Fund of  
18 the Treasury the amount so certified. Such payment shall  
19 be the contribution to the Fund for that fiscal year.

20 **“§ 446. Investment of assets of the Fund**

21 “The Secretary may request the Secretary of the  
22 Treasury to invest such portion of the Fund as is not,  
23 in the judgment of the Secretary, required to meet the  
24 current needs of the Fund. Such investments shall be  
25 made by the Secretary of the Treasury in public debt secu-

1 rities with maturities suitable to the needs of the Fund,  
2 as determined by the Secretary, and bearing interest at  
3 rates determined by the Secretary of the Treasury, taking  
4 into consideration current market yields on outstanding  
5 marketable obligations of the United States of comparable  
6 maturities. The income on such investments shall be cred-  
7 ited to and form a part of the Fund.”.

8 (2) TECHNICAL AMENDMENTS.—Such chapter  
9 is further amended—

10 (A) by amending the center heading after  
11 the table of sections to read as follows:

12 “SUBCHAPTER I—OFFICERS”;

13 (B) by amending the center heading after  
14 section 336 to read as follows:

15 “SUBCHAPTER II—ENLISTED MEMBERS”;

16 (C) by amending the center heading after  
17 section 373 to read as follows:

18 “SUBCHAPTER III—GENERAL PROVISIONS”;

19 and

20 (D) by amending the center heading after  
21 section 425 to read as follows:

22 “SUBCHAPTER IV—SPECIAL PROVISIONS”.

23 (3) CLERICAL AMENDMENTS.—The table of sec-  
24 tions at the beginning of such chapter is amended—

1 (A) by striking “OFFICERS” at the begin-  
2 ning of the table and inserting “SUBCHAPTER  
3 I—OFFICERS”;

4 (B) by striking “ENLISTED MEMBERS”  
5 after the item relating to section 336 and in-  
6 serting “SUBCHAPTER II—ENLISTED MEM-  
7 BERS”;

8 (C) by striking “GENERAL PROVISIONS”  
9 after the item relating to section 373 and in-  
10 serting “SUBCHAPTER III—GENERAL PROVI-  
11 SIONS”;

12 (D) by striking “SPECIAL PROVISIONS”  
13 after the item relating to section 425 and in-  
14 serting “SUBCHAPTER IV—SPECIAL PROVI-  
15 SIONS”; and

16 (E) by adding at the end the following:

“SUBCHAPTER V—COAST GUARD MILITARY RETIREMENT FUND

“441. Establishment and purpose of Fund; definitions.

“442. Assets of the Fund.

“443. Payments from the Fund.

“444. Determination of contributions to the Fund.

“445. Payments into the Fund.

“446. Investment of assets of the Fund.”.

17 (b) IMPLEMENTATION YEAR EXCEPTIONS.—To avoid  
18 funding shortfalls in the first year of implementation of  
19 subchapter V of chapter 11 of title 14, United States  
20 Code, as added by subsection (a), if formal actuarial deter-  
21 minations are not available in time for budget preparation,  
22 the amounts used in the first year under sections

1 445(a)(1)(A) and 445(a)(2)(A) of such title shall be set  
2 equal to those estimates in sections 444(b)(1)(A)(i) and  
3 444(b)(1)(B)(i), respectively, of such title if final deter-  
4 minations are not available. The original unfunded liabil-  
5 ity, as defined in section 444(a) of such title, shall include  
6 an adjustment to correct for this difference between the  
7 formal actuarial determinations and the estimates in sec-  
8 tions 444(b)(1)(A)(i) and 444(b)(1)(B)(i) of such title.

9 (c) CONFORMING AMENDMENT.—Subparagraph (B)  
10 of section 255(g)(1) of the Balanced Budget and Emer-  
11 gency Deficit Control Act of 1985 (2 U.S.C. 905(g)(1))  
12 is amended by striking “Retired Pay, Coast Guard (69–  
13 0241–0–1–403)” and inserting “Coast Guard Military Re-  
14 tirement Fund (69–0241–01–403)”.

15 (d) TRANSFER OF EXISTING BALANCES.—

16 (1) TRANSFER.—There shall be transferred into  
17 the Fund on October 1, 2005, any obligated and un-  
18 obligated balances of appropriations made to the De-  
19 partment of Homeland Security that are currently  
20 available for retired pay, and amounts so transferred  
21 shall be part of the assets of the Fund.

22 (2) FUND DEFINED.—For purposes of para-  
23 graph (1), the term “Fund” means the Coast Guard  
24 Military Retirement Fund established under section



1 441 of title 14, United States Code, as added by  
2 subsection (a).

3 (e) EFFECTIVE DATE.—Sections 443 (relating to  
4 payments from the Fund) and 445 (relating to payments  
5 into the Fund) of title 14, United States Code, as added  
6 by subsection (a), shall take effect on October 1, 2005.

7 **Subtitle B—Accrual Funding of**  
8 **Post-Retirement Health Benefits**  
9 **Costs for Federal Employees**

10 **SEC. 411. FEDERAL EMPLOYEES HEALTH BENEFITS FUND.**

11 (a) Section 8906 of title 5, United States Code, is  
12 amended—

13 (1) by redesignating subsection (c) as sub-  
14 section (c)(1) and by adding at the end the following  
15 new paragraphs:

16 “(2) In addition to Government contributions re-  
17 quired by subsection (b) and paragraph (1), each employ-  
18 ing agency shall contribute amounts as determined by the  
19 Office to be necessary to prefund the accruing actuarial  
20 cost of post-retirement health benefits for each of the  
21 agency’s current employees who are eligible for Govern-  
22 ment contributions under this section. Amounts under this  
23 paragraph shall be paid by the employing agency separate  
24 from other contributions under this section, from the ap-

1    appropriations or fund used for payment of the salary of the  
2    employee, on a schedule to be determined by the Office.  
3        “(3) Paragraph (2) shall not apply to the United  
4    States Postal Service or the government of the District  
5    of Columbia.”; and

6             (2) by amending subsection (g)(1) to read as  
7    follows:

8             “(g)(1) Except as provided in paragraphs (2) and  
9    (3), all Government contributions authorized by this sec-  
10   tion for health benefits for an annuitant shall be paid from  
11   the Employees Health Benefits Fund to the extent that  
12   funds are available in accordance with section 8909(h)(6)  
13   and, if necessary, from annual appropriations which are  
14   authorized to be made for that purpose and which may  
15   be made available until expended.”.

16            (b) Section 8909 of title 5, United States Code, is  
17   amended by adding at the end the following new sub-  
18   section:

19            “(h)(1) Not later than June 30, 2006, the Office  
20   shall determine the existing liability of the Fund for post-  
21   retirement health benefits, excluding the liability of the  
22   United States Postal Service for service under section  
23   8906(g)(2), under this chapter as of September 30, 2006.  
24   The Office shall establish an amortization schedule, in-  
25   cluding a series of annual installments commencing Sep-

1   tember 30, 2006, which provides for the liquidation of  
2   such liability by September 30, 2043.

3       “(2) At the close of each fiscal year, for fiscal years  
4   beginning after September 30, 2005, the Office shall de-  
5   termine the supplemental liability of the Fund for post-  
6   retirement health benefits, excluding the liability attrib-  
7   utable to the United States Postal Service for service sub-  
8   ject to section 8906(g)(2), and shall establish an amortiza-  
9   tion schedule, including a series of annual installments  
10   commencing on September 30 of the subsequent fiscal  
11   year, which provides for liquidation of such supplemental  
12   liability over 30 years.

13       “(3) Amortization schedules established under this  
14   paragraph shall be set in accordance with generally accept-  
15   ed actuarial practices and principles.

16       “(4) At the end of each fiscal year on and after Sep-  
17   tember 30, 2006, the Office shall notify the Secretary of  
18   the Treasury of the amounts of the next installments  
19   under the most recent amortization schedules established  
20   under paragraphs (1) and (2). Before closing the accounts  
21   for the fiscal year, the Secretary shall credit the sum of  
22   these amounts (including in that sum any negative  
23   amount for the amortization of the supplemental liability)  
24   to the Fund, as a Government contribution, out of any

1 money in the Treasury of the United States not otherwise  
2 appropriated.

3 “(5) For the purpose of carrying out paragraphs (1)  
4 and (2), the Office shall perform or arrange for actuarial  
5 determinations and valuations and shall prescribe reten-  
6 tion of such records as it considers necessary for making  
7 periodic actuarial valuations of the Fund.

8 “(6) Notwithstanding subsection (b), the amounts de-  
9 posited into the Fund pursuant to this subsection and sec-  
10 tion 8906(c)(2) to prefund post-retirement health benefits  
11 costs shall be segregated within the Fund so that such  
12 amounts, as well as earnings and proceeds under sub-  
13 section (c) attributable to them, may be used exclusively  
14 for the purpose of paying Government contributions for  
15 post-retirement health benefits costs. When such amounts  
16 are used in combination with amounts withheld from an-  
17 nuitants to pay for health benefits, a portion of the con-  
18 tributions shall then be set aside in the Fund as described  
19 in subsection (b).

20 “(7) Under this subsection, ‘supplemental liability’  
21 means—

22 “(A) the actuarial present value for future post-  
23 retirement health benefits that are the liability of  
24 the Fund, less

25 “(B) the sum of—

1           “(i) the actuarial present value of all fu-  
2           ture contributions by agencies and annuitants  
3           to the Fund toward those benefits pursuant to  
4           section 8906;

5           “(ii) the present value of all scheduled am-  
6           ortization payments to the Fund pursuant to  
7           paragraphs (1) and (2);

8           “(iii) the Fund balance as of the date the  
9           supplemental liability is determined, to the ex-  
10          tent that such balance is attributable to post-re-  
11          tirement benefits; and

12          “(iv) any other appropriate amount, as de-  
13          termined by the Office in accordance with gen-  
14          erally accepted actuarial practices and prin-  
15          ciples.”.

16   **SEC. 412. FUNDING UNIFORMED SERVICES HEALTH BENE-**  
17           **FITS FOR ALL RETIREES.**

18          Title 10, United States Code, is amended—

19           (1) in the title of chapter 56, by striking “**DE-**  
20           **PARTMENT OF DEFENSE MEDICARE-**  
21           **ELIGIBLE**” and inserting “**UNIFORMED**  
22           **SERVICES**”;

23           (2) in section 1111—

24           (A) in subsection (a)—

1 (i) by striking “Department of De-  
2 fense Medicare-Eligible” and inserting  
3 “Uniformed Services”;

4 (ii) by striking “Department of De-  
5 fense under”; and

6 (iii) by striking “for medicare-eligible  
7 beneficiaries”;

8 (B) in subsection (c)—

9 (i) by striking “The Secretary of De-  
10 fense may” and inserting “The Secretary  
11 of Defense shall”;

12 (ii) by striking “with any other” and  
13 inserting “with each”;

14 (iii) by striking “Any such agree-  
15 ment” and inserting “Such agreements”;  
16 and

17 (iv) by striking “administering Sec-  
18 retary may” and inserting “administrative  
19 Secretary shall”;

20 (3) in section 1113—

21 (A) in subsection (a)—

22 (i) by striking “and are medicare eli-  
23 gible”;

24 (ii) by striking “who are medicare eli-  
25 gible”; and

1 (iii) by adding at the end the fol-  
2 lowing new sentence: "For the fiscal year  
3 starting October 1, 2004, only, the pay-  
4 ments will be solely for the costs of mem-  
5 bers or former members of a uniformed  
6 service who are entitled to retired or re-  
7 tainer pay and are medicare-eligible, and  
8 eligible dependents or survivors who are  
9 medicare-eligible.";

10 (B) in subsection (c)(1), by striking "who  
11 are medicare-eligible";

12 (C) in subsection (d), by striking "who are  
13 medicare-eligible"; and

14 (D) in subsection (f), by striking "If" and  
15 inserting "When";

16 (4) in section 1114, in subsection (a)(1), by  
17 striking "Department of Defense Medicare-Eligible"  
18 and inserting "Uniformed Services";

19 (5) in section 1115—

20 (A) in subsection (b)(2), by striking "The  
21 amount determined under paragraph (1) for  
22 any fiscal year is the amount needed to be ap-  
23 propriated to the Department of Defense (or to  
24 the other executive department having jurisdic-  
25 tion over the participating uniformed service)"

1 and inserting “The amount determined under  
2 paragraph (1), or the amount determined under  
3 section 1111(c) for a participating uniformed  
4 service, for any fiscal year, is the amount need-  
5 ed to be appropriated to the Department of De-  
6 fense (or to any other executive department  
7 having jurisdiction over a participating uni-  
8 formed service)”;

9 (B) in subsection (c)(2), by striking “for  
10 medicare eligible beneficiaries”; and

11 (C) by adding at the end the following new  
12 subsection:

13 “(f) For the fiscal year starting October 1, 2004,  
14 only, the amounts in this section shall be based solely on  
15 the costs of medicare-eligible benefits of beneficiaries and  
16 the costs for their eligible dependents or survivors who are  
17 medicare-eligible, and shall be recalculated thereafter to  
18 reflect the cost of beneficiaries defined in section 1111.”;  
19 and

20 (6) in section 1116—

21 (A) in subsection (a)(1)(A), by striking  
22 “for medicare-eligible beneficiaries”;

23 (B) in subsection (a)(2)(A), by striking  
24 “for medicare-eligible beneficiaries”; and



1 (C) in subsection (c), by striking “sub-  
2 section (a) shall be paid from funds available  
3 for the health care programs” and inserting  
4 “subsection (a) and section 1111(c) shall be  
5 paid from funds available for the pay of mem-  
6 bers of the participating uniformed services  
7 under the jurisdiction of the respective admin-  
8 istering secretaries”.

9 **SEC. 413. EFFECTIVE DATE.**

10 Except as otherwise provided, this title shall take ef-  
11 fect upon enactment with respect to fiscal years beginning  
12 after 2005.

“Sec. 601. Short title.

“Sec. 602. Budgetary treatment.

“Sec. 603. Timetable for implementation of accrual budgeting for Federal insur-  
ance programs.

“Sec. 604. Definitions.

“Sec. 605. Authorizations to enter into contracts; actuarial cost account.

“Sec. 606. Effective date.”.

13 **Subtitle C—Limit on the Public**  
14 **Debt**

15 **SEC. 421. LIMIT ON PUBLIC DEBT.**

16 Section 3101 of title 31, United States Code, is  
17 amended to read as follows:

18 **“§ 3101. Public debt limit**

19 “(a) In this section, the current redemption value of  
20 an obligation issued on a discount basis and redeemable  
21 before maturity at the option of its holder is deemed to  
22 be the face amount of the obligation.

1       “(b) The face amount of obligations issued under this  
2 chapter and the face amount of obligations whose prin-  
3 cipal and interest are guaranteed by the United States  
4 Government (except guaranteed obligations held by the  
5 Secretary of the Treasury and intragovernmental hold-  
6 ings) may not be more than \$4,393,000,000,000 out-  
7 standing at one time, subject to changes periodically made  
8 in that amount as provided by law.

9       “(c) For purposes of this section, the face amount,  
10 for any month, of any obligation issued on a discount basis  
11 that is not redeemable before maturity at the option of  
12 the holder of the obligation is an amount equal to the sum  
13 of—

14       “(1) the original issue price of the obligation,  
15 plus

16       “(2) the portion of the discount on the obliga-  
17 tion attributable to periods before the beginning of  
18 such month (as determined under the principles of  
19 section 1272(a) of the Internal Revenue Code of  
20 1986 without regard to any exceptions contained in  
21 paragraph (2) of such section).

22       “(d) For purposes of this section, the term  
23 ‘intragovernment holding’ is any obligation issued by the  
24 Secretary of the Treasury to any Federal trust fund or  
25 Government account, whether in respect of public money,

1 money otherwise required to be deposited in the Treasury,  
2 or amounts appropriated.”.

### 3 **TITLE V—PAYGO EXTENSION**

#### 4 **SEC. 501. EXTENSION OF PAY-AS-YOU-GO REQUIREMENT.**

5 (a) PURPOSE.—Section 252(a) of the Balanced  
6 Budget and Emergency Deficit Control Act of 1985 is  
7 amended to read as follows:

8 “(a) PURPOSE.—The purpose of this section is to as-  
9 sure that any legislation that is enacted before October  
10 1, 2007, that causes a net increase in direct spending will  
11 trigger an offsetting sequestration.”.

12 (b) TIMING.—Section 252(b)(1) of the Balanced  
13 Budget and Emergency Deficit Control Act of 1985 is  
14 amended by striking “any net deficit increase” and all  
15 that follows through “2002,” and by inserting “any net  
16 increase in direct spending enacted before October 1,  
17 2007,”.

18 (c) CALCULATION OF DIRECT SPENDING IN-  
19 CREASE.—Section 252(b)(2) of the Balanced Budget and  
20 Emergency Deficit Control Act of 1985 is amended—

21 (1) by striking “deficit” the first place it ap-  
22 pears and inserting “direct spending”;

23 (2) in subparagraph (A) by striking “and re-  
24 ceipts”;

1           (3) in subparagraph (C) by striking “and re-  
2       ceipts”; and

3           (4) by amending the heading to read as follows:  
4       “CALCULATION OF DIRECT SPENDING INCREASE.—  
5       ”.

6       (d) CONFORMING AMENDMENTS—(1) The heading  
7       of section 252(c) of the Balanced Budget and Emergency  
8       Deficit Control Act of 1985 is amended to read as follows:  
9       “ELIMINATING A DIRECT SPENDING INCREASE.—”.

10       (2) Paragraphs (1), (2), and (4) of section 252(d)  
11       of the Balanced Budget and Emergency Deficit Control  
12       Act of 1985 are amended by striking “or receipts” each  
13       place it appears.

14       (3) Section 252(e) of the Balanced Budget and  
15       Emergency Deficit Control Act of 1985 is amended by  
16       striking “or receipts” and by striking “, outlays, and re-  
17       ceipts” and inserting “and outlays”.

18       (4) Section 254(c)(3) of the Balanced Budget and  
19       Emergency Deficit Control Act of 1985 is amended—

20           (A) in subparagraph (A) by striking “net deficit  
21       increase or decrease” and by inserting “net increase  
22       or decrease in direct spending”;

23           (B) in subparagraph (B) by striking “amount  
24       of deficit increase or decrease” and by inserting “in-  
25       crease or decrease in direct spending”; and

1 (C) in subparagraph (C) by striking “a deficit  
2 increase” and by inserting “an increase in direct  
3 spending”.